

# Herald INTERNATIONAL Tribune

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Armed... 8.00 F. Hungary... 1.00 F. Oman... 1.000 Rial  
Austria... 11.20 F. Pakistan... 75.00 Rupee... 25.000 R.  
Australia... 25. S. New... 115.000 Peng... 210.000  
Bahamas... 0.000 Dm... 100. S.000... 0.000 Rial  
Belgium... 20.00 F. Belize... 2.000 Bz... 100.000  
Bolivia... 50.000 Bs... 500.000 F.  
Bosnia... 1.000 Dm... 1.000 Dm  
Canada... 1.000 Dm... 1.000 Dm  
Czech Republic... 100.000 Kc... 100.000 Kc  
Denmark... 100.000 Dk... 100.000 Dk  
Ecuador... 10.000 Dm... 10.000 Dm  
Egypt... 10.000 L.E... 10.000 L.E.  
France... 100.000 F... 100.000 F.  
Germany... 100.000 M... 100.000 M.  
Greece... 100.000 Dr... 100.000 Dr.  
Hong Kong... 100.000 Hk... 100.000 Hk.  
India... 100.000 Rs... 100.000 Rs.  
Indonesia... 100.000 Rp... 100.000 Rp.  
Italy... 100.000 L... 100.000 L.  
Japan... 100.000 Y... 100.000 Y.  
Korea... 100.000 W... 100.000 W.  
Kuwait... 100.000 D... 100.000 D.  
Lithuania... 100.000 Lt... 100.000 Lt.  
Luxembourg... 100.000 F... 100.000 F.  
Malaysia... 100.000 M... 100.000 M.  
Mexico... 100.000 P... 100.000 P.  
Morocco... 100.000 D... 100.000 D.  
Netherlands... 100.000 G... 100.000 G.  
New Zealand... 100.000 N... 100.000 N.  
Norway... 100.000 Kr... 100.000 Kr.  
Oman... 100.000 R... 100.000 R.  
Pakistan... 100.000 Ru... 100.000 Ru.  
Peru... 100.000 S... 100.000 S.  
Poland... 100.000 Z... 100.000 Z.  
Portugal... 100.000 Esc... 100.000 Esc.  
Qatar... 100.000 R... 100.000 R.  
Romania... 100.000 L... 100.000 L.  
Russia... 100.000 R... 100.000 R.  
Saudi Arabia... 100.000 R... 100.000 R.  
Singapore... 100.000 S... 100.000 S.  
South Africa... 100.000 R... 100.000 R.  
Spain... 100.000 P... 100.000 P.  
Sweden... 100.000 K... 100.000 K.  
Switzerland... 100.000 F... 100.000 F.  
Taiwan... 100.000 N... 100.000 N.  
Thailand... 100.000 B... 100.000 B.  
Turkey... 100.000 L... 100.000 L.  
U.S. Dollar... 100.000 D... 100.000 D.  
U.K. Pound... 100.000 P... 100.000 P.  
Ukraine... 100.000 H... 100.000 H.  
U.S. Dollar... 100.000 D... 100.000 D.  
U.K. Pound... 100.000 P... 100.000 P.  
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## Interim Plan Eases Ban on Homosexuals In Military

### President Announces Compromise, Including A 6-Month Study Period

WASHINGTON — President Bill Clinton took steps Friday toward ending a 50-year-old ban on homosexuals in the military, acting on a campaign promise that has provoked sharp controversy in both Congress and the Pentagon.

Speaking to reporters at the White House, Mr. Clinton said that for the next six months military recruiters would stop asking applicants about their sexual orientation and that expulsion of homosexuals from the armed services solely because of sexual preference would be suspended.

Under existing regulations a potential recruit admitting to homosexuality is refused enlistment and a professing homosexual is liable to be discharged from the service.

Mr. Clinton said that by July 15, Defense Secretary Les Aspin would draft an executive

order officially repealing the prohibition on homosexuals. But the order would include "rigorous standards regarding sexual conduct to be applied to all military personnel," the idea being to distinguish between a serviceman's "status" as a homosexual and his employment.

"This draft order," Mr. Clinton said, "will be accompanied by a study conducted during the next six months on the real practical problems that would be involved in this revision of policy, so that we will have a practical, realistic approach consistent with the high standards of combat effectiveness and unit cohesion that our armed services must maintain."

He described the plan as a compromise, reached after negotiations involving congressional leaders and the Joint Chiefs of Staff.

He said that although the Joint Chiefs went along with the compromise steps in the short term, they had not subscribed to his final goal of doing away with discrimination against homosexuals in the armed forces. "They haven't agreed that it should be done," he said.

Mr. Clinton said his plan was not all that he originally had hoped for. But, he said, "I think this is a dramatic step forward. Normally in the history of civil-rights advancements, presidents have not been in the forefront."

In his first question-and-answer session with reporters since taking office, Mr. Clinton acknowledged that the controversy had seemed to crowd out other issues of "central" importance to Americans, like health and economic policy. But he was firm in his determination.

"The issue is whether men and women who can and have served with real distinction should be excluded from military service solely on the basis of their status," he said. "And I believe they should not."

Asked whether he intended to lift the ban formally at end of the six-month period, Mr. Clinton hedged slightly. He said that was his intention, noted the strong feelings of those who oppose him and added, "I don't intend to change my position."

The president spoke after several days of private negotiations with Senate Democrats in an effort to form a united front against expected Republican opposition.

His announcement came after a federal judge in California ruled the ban on homosexuals unconstitutional. The ruling by the U.S. District Court judge, Terry Hafter Jr., on Thursday applies only in parts of California. The White See CLINTON, Page 4



Rubble from a destroyed sluice gate lying in a spillway of the Peruca dam in Croatia, which was blasted by Serbian forces.

## Blasted by Serbs, Dam May Collapse

By John Darnton  
New York Times Service

ON THE PERUCA DAM, Croatia — A huge hydroelectric dam near Croatia's southern coast has been rigged by explosives, and engineers and army officers worked feverishly Friday to prevent it from crumbling and unleashing a flood on villages below.

The dam, a strategic flashpoint in renewed fighting between Serbs and Croats along what was once a cease-fire line, had been rigged with explosives by Serbs when they captured it from Croatian forces in 1991. The Serbs retook the dam from United Nations peacekeeping forces Wednesday and held it briefly while Croats shelled them.

The 65-meter (200-foot) high dam holds back a narrow lake that stretches back for 20 kilometers. If it collapses, a torrent of water would rush down the Cetina River valley, threatening some 20,000 people directly and affecting a total of 50,000 who live in villages scattered all the way to the coastal city of Omis, about 65 kilometers away.

But on Thursday, Croat officials who visited the dam, including Prime Minister Hrvoje Sarinac, said they felt they had contained the

See DAM, Page 4

## Clinton Weighs Signal On New Trade Battle Brewing With Europe

### Citing EC Favoritism on Bids, U.S. Would Retaliate on Communications

By Peter Behr  
Washington Post Service

WASHINGTON — The Clinton administration is considering imposing stiff sanctions on the European Community in retaliation for a new policy that gives European telecommunications and power equipment manufacturers the inside track in bidding on government contracts within the Community, according to industry and congressional sources.

Mickey Kantor, the new U.S. trade representative, met with several members of Congress to review the options under consideration, congressional sources said. The options reportedly include barring European companies from bidding on a small number of U.S. government contracts, as an initial step, and more sweeping sanctions if the administration and EC officials cannot resolve the dispute, these sources said.

An official of an American telecommunications company that was contacted by the administration said, "They asked us how we felt about retaliation."

"It's time to draw a line in the sand," he added.

The sources expect President Bill Clinton to send a strong signal about his administration's trade policy with his decision, which they expect in days. Industry officials have hoped the administration would use this issue to show its willingness to risk confrontations to obtain greater access to foreign markets.

A spokesman for the Office of the U.S. Trade Representative declined to comment. An official speaking for the EC said retaliation would be unfair and counterproductive and would enflame trade relations.

The Clinton administration and its European allies crossed swords earlier this past week when the Commerce Department ruled that 19 nations, including Europe's major industrial powers, had violated U.S. trade laws by dumping steel exports in the United States at less than "fair market value."

The confrontation over government purchasing has been building for nearly a year, after the Bush administration warned the 12-nation European Community that its proposed directive on government purchases of telecommunications and power generation equipment discriminated against American companies.

The EC directive "would require EC utilities to favor EC goods and services over U.S. and other foreign ones" and create "official discrimination in all EC utilities markets," according to the Bush administration's statement a year ago.

## World Trade Pact Will Miss Deadline

The man overseeing world trade talks ruled out the possibility of a global trade pact before March 2, the deadline for a procedure allowing rapid approval of an accord in the U.S. Congress. As a result, it seems inevitable that final approval of the Uruguay Round of trade negotiations will be put off for months. (Page 9)

Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, had hoped to wrap up the GATT talks in the first two months of this year. But French objections to a U.S.-EC agricultural agreement, uncertainty over the intentions of the new Clinton administration and the U.S. imposition of tariffs on steel imports have combined to stall progress and undermine relations between Europe and Washington.

## Now, Tokyo Takes Its Turn To Yell 'Foul' on Dumping

By Paul Blustein  
Washington Post Service

TOKYO — Japan, which usually plays the role of defendant in cases involving "dumping" of low-priced goods, announced Friday for the first time that it would impose anti-dumping duties.

The government said it will put duties of 4.5 percent to 27.2 percent on imports of ferroalloy manganese, a steelmaking material, from 100 Chinese companies that it said were selling the product in Japan at unfairly low prices.

The decision will become an increasingly common Japanese tactic as Asian nations push to open Japan as an export market, a Japanese trade official said Friday. (Page 9)

The irony of the situation was not lost on the Japanese, who have long fought charges that their companies price exports at cut-rate levels in order to generate volume and win market share.

"Because of this decision, Japan may lose the high ground" in battling protectionism, a front-page analysis in the Sankei Shimbun warned.

Moreover, the move comes amid rising global tensions over the prospect that a rash of protectionist actions could seriously impede international trade. Those fears were fanned when the U.S. Commerce Department announced Wednesday that it will impose stiff provisional anti-dumping duties on imported steel from 19 countries.

Japan is one of the countries that has voiced deep concern about the Commerce Department's action, and while the decision Friday

concerning China is unrelated, it may exacerbate an already unsettled situation.

Some Japanese officials conceded that the timing of the announcement was unfortunate. But they denied speculation that it meant Japan had shifted its trade policy toward launching more anti-dumping cases, and said that Japan would continue to criticize countries that overuse dumping actions to protect their home markets.

Officials of the Ministry of Trade and Industry said they had little choice but to take action after a long investigation. And they said what differentiates Japan from some of its trading partners is that Tokyo's anti-dumping move was taken in strict accordance with the General Agreement on Tariffs and Trade, or GATT, the international treaty governing global commerce.

"The decision was a result of transparent and fair investigations based on GATT rules," said Yoshiro Mori, the minister for international trade and industry.

"We need to cope with cases of commodities being sold at unduly low prices," said a Foreign Ministry spokesman, Masamichi Hanabusa. "If you use anti-dumping mechanism as a bar to international trade, now that is a serious business."

Some experts said that Japan was likely to take more such actions in the near future. "This could be kind of a trend," said Motoshige Itoh, a professor at Tokyo University. He said that several Japanese industries were considering

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## For 2 African States, Breakdown Is Nearly Total

### Zaire: 'No Established Power Left'

Compiled by Our Staff From Dispatches

KINSHASA, Zaire — France and Belgium sent troops Friday to protect citizens in Zaire after rampaging soldiers killed the French ambassador and as many as seven other foreigners. But local television reported late Friday that the country's military ruler had rejected plans by the Belgians — but not the French — to enter. It was unclear how the rejection would affect Belgium's intention to protect its citizens.

At least 45 people have been killed and 130 wounded, most of them Zairian soldiers, in rioting and fighting that broke out Thursday in Kinshasa, the capital, the relief group Doctors Without Borders said from Brussels.

Western officials said there would be no intervention to preserve the government of Mobutu Sese Seko from internal dissent.

"The days to play police in Africa have come and gone," said Foreign Minister Willy Claes of Belgium. "It seems Zaire is heading for a Somali situation in the sense that there is no real established power left."

The rioting began when Marshal Mobutu tried to pay soldiers in Kinshasa with newly printed 5 million zaire notes. Shopkeepers are refusing to accept the notes, worth about \$2, as a show of defiance toward Marshal Mobutu and because the country's transitional government says the money is worthless.

The notes, introduced by Marshal Mobutu over the transitional government's objections, have come to symbolize the struggle between Marshal Mobutu and the government he was forced to appoint under pressure from strikes and from his former Western allies.

Troops loyal to Marshal Mobutu clashed with rioting soldiers in some areas of the capital, a city of 3 million.

Sources in Kinshasa said that in addition to

See ZAIRE, Page 4

### Angola: 'Worse Than It's Ever Been'

By Kenneth B. Noble  
New York Times Service

LUANDA, Angola — Angola is sinking ever closer to disintegration as it confronts the worst crisis of its nearly 30 years of armed conflict, economic hardship and political strife.

Fighting between government and guerrilla forces in the last three weeks, the most intense in years, has left tens of thousands dead. The 1991 pact between the warring factions, which was meant to end the civil war and prepare Angola for free elections and Western-style democracy, appears on the brink of coming apart.

Moreover, millions of people have been forced from their homes by the conflict and more than 1.5 million face the prospect of starvation, United Nations officials say.

"Things are worse now than they've ever

See ANGOLA, Page 4

## In China, a U.S. Land Rush by Inches

By Sheryl WuDunn  
New York Times Service

GUANGZHOU, China — Sooner or later someone was going to discover a way to make money on the Chinese craze for the United States. Now it looks as if someone has — perhaps at the expense of thousands of native Chinese.

All across the country, from the ice-glazed terrain of Harbin in the north to this moneyed metropolis in the south, people are talking about the chance to buy a "piece of America."

"I want to be a landowner in America!" said Bi Fei, a young financier who carries a cellular telephone and dashes around from luxury hotel to fancy restaurant. "How many Chinese people can say that they own American land?"

Driven by a belief that possessing land in the United States gives the owner the right to inspect the property — and therefore obtain that

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OVERLAND — Sir Christopher Franks arriving Friday in Sangatte, France, via the Channel tunnel, the first British envoy to go to an overseas post by 'land.'

## Kiosk

### Vote Proposal Takes Aim at Yeltsin

MOSCOW (AP) — Russia's hard-line parliament speaker fired a new salvo at President Boris N. Yeltsin on Friday, calling for simultaneous elections for president and lawmakers next year.

The move by the speaker, Ruslan I. Khasbulatov, opened a new round of political fighting after a truce reached in December between Mr. Yeltsin and hard-liners in the Congress of People's Deputies.

A simultaneous presidential and legislative vote could damage Mr. Yeltsin, who had hoped for parliamentary elections to eliminate his opponents prior to a presidential ballot. Parliamentary elections are set for 1995 and a presidential vote for 1996. Mr. Khasbulatov wants to move both to 1994.

Mr. Khasbulatov's proposal would be contained in the referendum on a new constitution to be held April 11.

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Israeli court ruling on deportees creates a dilemma for Clinton. Page 2.	Two Japanese paper makers are to merge. Page 13.	3,310.03	90.33
Art	Money Report	The Dollar	
Top market prices prove the skill of the connoisseurs. Page 5.	Measuring fund managers, demergers, and small stocks. Pages 14-15.	New York	FF
		DM	DM
		Pound	Pound
		Yen	Yen
		FF	FF
		1.6113	1.586
		1.467	1.5156
		124.65	124.20
		5.4515	5.955

WORLD BRIEFS

Israeli Ruling on Deportees Sets Up a Dilemma for Clinton

By Elaine Sciolino
WASHINGTON — The decision by the Israeli High Court upholding the deportation of more than 400 Palestinians disappointed the Clinton administration, which was clearly hoping that the court might relieve it of having to choose between supporting UN sanctions against Israel or antagonizing the Arab countries that are likely to seek sanctions.
In any event, the continuing impasse over the deportees jeopardizes the Middle East peace talks, which are supposed to resume next month but which are now threatened with an Arab boycott.
President Bill Clinton has pledged that making progress toward peace is one of his highest foreign policy priorities, but the now finds that unless there is an early break over the deportees, there may not be talks in February.

Although the Bush administration voted in favor of a Security Council resolution that unanimously condemned Israel for deporting the Palestinians and demanded their immediate return, the Clinton administration has indicated it will oppose any initiative to enforce the resolution with limited sanctions.
[The Arab group at the United Nations has reached agreement on a draft resolution to impose sanctions that would forbid all states and individuals to deal with Israeli firms with links on the West Bank and bar Israel from human rights meetings, Reuters reported.]
Secretary of State Warren M. Christopher will probably plead for more time when he visits Secretary-General Butros Butros Ghali at the United Nations on Monday.
Mr. Butros Ghali recommended on Tuesday that the council take "whatever

measures are necessary" to force Israel to readmit the Palestinians.
If the issue is not resolved in the next few weeks, Mr. Christopher will find the deportees at the top of his agenda when he travels to the Middle East in the second half of February. He is also to meet with his NATO counterparts in Europe and with Foreign Minister Andrei V. Kozirev of Russia, State Department officials said.
Richard N. Haass, the senior official on the Middle East at the National Security Council during the Bush administration, said, "The administration could be forced to choose between some sanctions against Israel — which would clearly be a major departure and set a dangerous precedent for pressuring Israel — and seeming to employ a double standard when it comes to taking a tough line against those who do not conform to Security Council resolutions."

Until Thursday, the administration had gambled that the Israeli High Court of Justice would break with precedent and rule against the deportations, providing Prime Minister Yitzhak Rabin with a face-saving way to take back the Palestinians.
Despite the Security Council vote in favor of the immediate return of the deportees, neither Mr. Clinton nor Mr. Christopher explicitly repeated that demand when they spoke with Mr. Rabin in telephone conversations last weekend, according to Israeli officials.
As part of its diplomatic efforts, Mr. Christopher prepared Thursday night what State Department officials described as a tough message to Mr. Rabin, but they declined to discuss its content.
Palestinian deportees boycotted an Israeli appeals process on Friday and said they would never recognize Israeli courts by appealing the expulsion orders, Reuters reported from southern Lebanon.

The Palestinians, stranded in a makeshift encampment since Dec. 17, urged Arab states to press for tough UN sanctions to make the Jewish state take them back. Israeli soldiers set up two tents on the southern tip of a muddy piece of no-man's-land so that any deportee can meet his lawyer.
An Israeli Army spokesman said the army had posted an officer to accept appeals at the Zeyranya crossing point, just south of the encampment. No one came forward.
Abdul Aziz Rantisi, the leader of the deportees, said: "We will definitely not go to Zeyranya to present appeals. Our decision is fixed and final and will never change."

Troops to Help Fight Moscow Crime

MOSCOW (Reuters) — City authorities in Moscow are calling in paratroopers to help the police patrol streets and curb the city's rising crime rate, the Russian Defense Ministry said Friday.
A ministry spokesman said the city had promised an extra 300,000 square meters (3.6 million square feet) of living space to the armed forces in return for their help. The army is in desperate need of apartments for soldiers returning from former Soviet republics and Eastern Europe.
The troops will escort police officers on regular patrols, especially at night, and will take part in some police raids. "They will not be conscripts but experienced soldiers, paratroopers, and they will carry sidearms," the spokesman said.

China Backs Bonn's Rebuff of Taiwan

BEIJING (AFP) — China expressed satisfaction Friday with Germany's refusal to sell warships to Taiwan.
"We welcome the decision the German government has made not to approve the sale of weapons to Taiwan," a Foreign Ministry spokesman said, quoted by the Xinhua press agency.
Germany's Interministerial Commission, which approves overseas arms sales, on Thursday rejected a request to authorize German shipyards to build two submarines for Taiwan for \$641 million. Bonn, which is running a trade deficit with both China and Taiwan, feared reprisals from Beijing, notably commercial ones.

Tajikistan Orders State of Emergency

MOSCOW (Reuters) — Tajikistan ordered a state of emergency along its frontier with Afghanistan on Friday after Russian guards killed five smugglers in a border shoot-out, the Iar-Tass press agency said.
The Central Asian state's rulers, former Communists, struggling to consolidate a recent bloody victory over Islamic radicals, accuse some Afghan guerrilla groups of arming and training Muslim fighters and sending them back to continue the struggle. The Tajik leadership appealed to Russian border troops, who police the border, to help enforce the emergency measure.
The parliamentary leadership introduced the emergency "to normalize the situation along the border, organize the return of Tajik refugees from Afghanistan and confiscate arms from illegal armed formations," the agency said.

China, in Nod to Clinton, Frees Pair

BEIJING (WP) — China has released two prominent political prisoners, apparently in a goodwill gesture to the Clinton administration, Western diplomats said Friday.
The diplomats were informed by Chinese government officials that Wang Xizhe, a democracy activist who had been imprisoned for 12 years, and Gao Shan, an economist imprisoned in connection with the 1989 democracy protests, had been released on parole.
It is not clear when the two men were freed, and the releases could not be independently confirmed. But diplomats believe the disclosure by Chinese government officials signals Beijing's desire for improved relations with the United States. China has been anxious to get relations with the Clinton administration off to a good start and has been emphasizing cooperation rather than confrontation in its dealings with Washington in recent months.

Iraq Agrees to Discuss Suppliers

MANAMA, Bahrain (Reuters) — Iraq has agreed to discuss who is supplying its big arms program, a United Nations weapons inspector said Friday. Baghdad's refusal until now has been a major obstacle to the lifting of United Nations sanctions, including the ban on unlimited exports of Iraqi oil.
Although Iraq had already expressed a willingness in December to talk about the suppliers for its nuclear program, the UN inspector, Nikiya S. S. S. said the Iraqis had told him that this would now apply to chemical, biological and ballistic weapons.
"It's a change of attitude," he said on his return from a five-day mission to Iraq, "because in their previous position they were very firm that they would not provide the lists. Now I would say they indicated at least some kind of willingness to discuss the issue."

Tanker's Oil Spill Reported at End

SINGAPORE (AP) — The flow of crude oil from the supertanker Mearns Navigator was stopped Friday when a crack in one of the tanks was patched, A. P. Moller Co., the vessel's owner, announced.
"Remaining pollution around the vessel will be dealt with by spraying dispersing materials," the company said.
A few tons of oil an hour had been flowing into the sea from the Mearns Navigator, which collided with an unladen tanker Jan. 21 near the northern entrance to the Strait of Malacca. More than 175,000 barrels of oil is estimated to have poured through holes in the ship's port side, most of which burned or evaporated or is dissipating.

Singapore Warns Go-It-Alone Taiwan

TAIPEI (Reuters) — Lee Kuan Yew, Singapore's senior minister, has warned Taiwan against declaring independence from China, saying that Beijing would move militarily against the island.
"Taiwan attempted to move toward independence, the mainland would use military force to assert its sovereignty," Mr. Lee was quoted as saying Friday by the China Times newspaper. "It could easily use submarines to blockade Taiwan, dealing a severe blow to Taiwan's economy. The United States and Japan would not intervene because they acknowledge there is only one China."

Yeltsin, in New Delhi, Urges Realignment of Asia's Largest Nations

By Molly Moore
Washington Post Service
NEW DELHI — President Boris N. Yeltsin of Russia, in his first visit to India since the collapse of the Soviet Union, urged a realignment of Asia's largest nations on Friday in what he said could be a "major force" to balance U.S. and European interests.
Speaking of Russia, India and China, Mr. Yeltsin said, "Peaceful relations among the three largest nations could be a stabilizing factor, not only in Asia but in the world."
Such a coalition would have to overcome profound distrust. India has long considered China one of its main competitors. China invaded India in 1962, and India continues to maintain a large military presence on its northeastern borders with China, where skirmishes still occasionally occur. China has also been the principal ally of Pakistan, India's principal adversary.
"India has been hard hit by the demise of the Soviet Union, which left India's military hobbled by lack of spare parts for its Soviet-built jets, tanks and other equipment, and its economy stripped of its biggest trading partner. When the Russian ruble was devalued, India also found itself facing a huge trade debt with Moscow because of a complex barter system the two nations had built on their respective soft currencies.
Although many of the details remained fuzzy, Mr. Yeltsin and Mr. Rao announced agreements in which Russia would provide more military spare parts to India and establish some joint ventures for manufacturing spare parts for military hardware. The Soviet Union resisted joint ventures, preferring that its clients buy everything from Moscow. Now, the dismal condition of the Russian economy and Mr. Yeltsin's attempts at reform have prompted leaders to look outside the country for business opportunities.

Diphtheria Spreads Throughout Russia

By Celestine Bohlen
New York Times Service
MOSCOW — Diphtheria, an acutely infectious disease that has been practically eliminated in the West through regular immunization, is spreading rapidly through Russia, reaching what the World Health Organization calls epidemic proportions.
The number of people stricken has risen from 1,000 in 1990 to about 4,000 at the end of 1992, with the numbers of new cases doubling between July and December.
First reported mostly in the country's largest cities, Moscow and St. Petersburg, both of which have more than 650 registered cases, experts say the disease is now showing up in the more distant regions, where doctors are less likely to give a prompt and effective diagnosis.
"From our point of view, it is an epidemic," said George Obolpenko, acting regional adviser for communicable diseases at the WHO offices in Denmark.
"if you have 1,000 cases where you previously had 100," he said, "then it is clearly another level of transmission. It will take time to control it now, in a huge country like Russia, to bring levels down to zero."
Most experts attribute the increase in diphtheria to Russian practices that allow a high number of infants to be turned down for normal inoculations for medical reasons while not keeping many adults, particularly those between 20 and 50, routinely immunized.
But doctors also say that the situation has been worsened by the social and economic upheavals that have sent thousands of people migrating across the former Soviet Union and slowed down the response of health authorities to a mounting crisis.
"People are on the move, mostly from the areas where the conflicts are," said the Moscow's chief epidemiologist, Igor A. Andreyev. "There is more mixing of the populations, and more carriers — drifters, people who live in the subway tunnels. It is part of the social problems created by the country's collapse, by the lack of social and political stability."
Diphtheria is also on the rise in Ukraine, which in the first 10 months of 1992, reported 1,344 cases. The official number for Russia is 3,278 as of November 1992, but with the number of new cases rising at more than 500 a month, it was expected to have passed 4,000 at year's end.
Incidence of diphtheria is increasing, but at a slower rate, in Lithuania, Moldova and Belarus; in Belarus, 13 new cases were reported last year in one city alone, for a nationwide total of 44, WHO figures show.
Altogether, the former republics of the Soviet Union account for more than 90 percent of all the diphtheria cases in Europe, Dr. Obolpenko said. The last big outbreak in Europe occurred in Sweden in the 1970s, he said, but then the number of cases never surpassed 20.
A highly contagious disease, diphtheria is transmitted by airborne bacteria, which may be spread in particles and which produce a toxin that causes an inflammation of the heart and nervous system.
Untreated, it progresses rapidly and can be fatal in a short period of time. Doctors say the initial symptoms are commonly confused with the throat and chest.
In most developed countries, children are immunized at an early age, with booster shots administered regularly until the age of 12 or so.



WARLORD RELEASES SOMALIS — A fighter who backed Mohammed Siad Barre, the former dictator, speaking to a prisoner in Mogadishu after being released Friday. One of Somalia's main belligerents, General Mohammed Farrah Aidid, released 387 soldiers, all he said he had held. The prisoners, captured in April when they tried to retake the capital, said they were not mistreated.

De Klerk Fears Civil War if Talks Fail

By Paul Taylor
Washington Post Service
JOHANNESBURG — Warning that "a devastating war will ensue" if South Africa's negotiated political transition falters, President Frederik W. de Klerk sought Friday to reassure supporters that his white-minority government can manage its own demise and still safeguard their political rights and standard of living.
In an opening address to what is expected to be the last apartheid-era Parliament, Mr. de Klerk acknowledged "deadlocks and setbacks" had slowed the negotiating process during the three years since he released Nelson Mandela, president of the African National Congress, from prison, but said a new consensus had finally emerged on the shape of post-apartheid South Africa.
"The basis of that consensus," Mr. de Klerk said, "is the growing realization that domination in a winner-takes-all dispensation cannot work in South Africa; that private initiative and free market principles are indispensable to a better quality of life, and that a regional dispensation, based on federal principles and recognition of our cultural and linguistic diversity, is a necessity."
In the speech, he called for the resumption of multiparty negotiations by March (after what would then be a nine-month hiatus); the phasing out of the racially based "own affairs" government departments over the next year; the establishment of multiparty, multiracial transitional executive councils by June; the adoption of a transitional constitution and a bill of rights by September, and the holding of an all-races election for an interim government and permanent constitution-writing body by early next year.
Mr. de Klerk also laid out a series of anti-crime measures, including mandatory minimum sentences for possession of AK-47s and other semi-automatic weapons that have spread throughout the country; the possible re-institution of the death penalty; and the incorporation into the police force of so-called self-defense units — citizen groups established by blacks in many townships as a form of protection against the police.

RELIGIOUS SERVICES
AMSTERDAM: CROSSROADS INTERNATIONAL CHURCH... EUROPEAN BAPTIST CONVENTION...
BERLIN: INTERNATIONAL BAPTIST CHURCH...
BRUSSELS: THE INTERNATIONAL PROTESTANT CHURCH OF BRUSSELS...
COPENHAGEN: INTERNATIONAL CHURCH OF COPENHAGEN...
FRANKFURT: TRINITY LUTHERAN CHURCH...
GENEVA: EV. LUTHERAN CHURCH OF GENEVA...
LONDON: AMERICAN CHURCH IN LONDON...
MOSCOW: MOSCOW PROTESTANT CHURCH...
OSLO: AMERICAN LUTHERAN CHURCH...
PARIS: AMERICAN CHURCH IN PARIS...
STOCKHOLM: IMMANUEL CHURCH...
VIENNA: VIENNA COMMUNITY CHURCH...
WARSAW: WARSAW INTERNATIONAL CHURCH...
ZURICH: INTERNATIONAL PROTESTANT CHURCH...
TOKYO: ST. PAUL INTERNATIONAL LUTHERAN CHURCH...

TRAVEL UPDATE

A national monument in Berlin at the former East German anti-Nazi memorial will be renovated as united Germany's memorial to all war dead. Chancellor Helmut Kohl said the New Watch, a 19th-century, neoclassical structure in the heart of Berlin built as a guard house for the Prussian emperor's palace, would be engraved with the words "For the victims of war and the rule of violence." The New Watch was a tourist attraction in East Berlin during Germany's division. Visitors came to see the changing of the guard, when members of a crack Communist unit goose-stepped into place. Mr. Kohl said a sculpture of a woman mourning for a dead son in her arms would replace a granite block decorated with a wreath in the structure on Unter den Linden.
European airlines said the number of passengers they carried on international routes rose by 12 percent last year, but the increase largely represented recovery of traffic lost during 1991. The Association of European Airlines said in Brussels its 23 members carried 110 million passengers over the year, 11.7 million up on 1991 when traffic was hit by the Gulf War which persuaded many people to stay home.
Air France announced reduced prices of up to 75 percent off full fare Europe and 14 days before departure for the United States.
Germany will change all postal codes from four- to five-digit numbers in July to end confusion caused by East-West unification in 1990, the postal authorities said Friday.

Women Made Big Gains In Executive Jobs in '80s

WASHINGTON — The number of American women in management jobs nearly doubled during the 1980s, according to a Census Bureau report.
The figures released Friday also illustrate the striking deindustrialization of the U.S. economy with employment flat in blue-collar occupations such as equipment operators while expanding swiftly in technical and other white-collar fields.
Labor force growth over the decade "was largely in the occupations that require academic training or an advanced education," said John Priebe, a government statistician who worked on the new report. "The one exception would be the services segment, which also grew."
The number of women in executive, administrative and managerial jobs climbed 95 percent to nearly 6.2 million between 1980 and 1990. That easily outstripped the 17 percent rise by men in the same positions. Minorities made little progress in advancing into the ranks of management.
Men continue to dominate management ranks, however. Of the 14.6 million Americans in management positions in 1990, nearly 58 percent were men, and men made up 84 percent of the overall civilian labor force of 123.5 million. Most of the evidence indicates that women are disproportionately in the lowest tiers of management and in the lowest-paying industries.

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FIRST 100 DAYS / ALREADY, A COMPARISON

POLITICAL NOISE

In Passport Case, Bush's Files Are Fair Game

WASHINGTON — Joseph E. diGenova, the independent counsel in the investigation into the pre-election search of President Bill Clinton's passport records, may review personal files of former President George Bush as part of the investigation, according to court documents.

Filling Governmental Gaps With Temporaries

WASHINGTON — The Clinton administration plans to rely on hundreds of temporary senior government officials to help run federal agencies and departments for up to four months until the Democrats can settle on a permanent ruling class.

Boston Judge as Next Attorney General?

WASHINGTON — President Clinton held his first meetings with candidates for attorney general Thursday, his spokesman said, and sources said Rya W. Zobel, a federal district judge from Boston, was among those interviewed.

Quote-Unquote:

General H. Norman Schwarzkopf, retired, on Mr. Clinton's push to allow homosexuals in the armed forces: "I am astounded that the new administration, with all of the problems this country has, that they choose to focus on this problem."

Democrats Feel Chill in Clinton's Spring



President Clinton, whose trouble has stirred dismay.

By Karen Tumulty and Michael Ross

WASHINGTON — Democrats in Congress had happily assured themselves that in Bill Clinton and his inaugural promise to "force the spring," they could finally see the end of their own political winter.

Pentagon Deadlock

As a Deal Collapses

How Powell's Switch on Cuts Scuttled a Capitol Scenario

By Barton Gelfman

WASHINGTON — General Colin L. Powell's decision this week to abandon his modest plan for reducing U.S. military redundancies represented the collapse of a secret deal between the general and the Senate's principal advocate of streamlining, Sam Nunn, Democrat of Georgia.

Dialing the White House: Busy, Busy, Busy, Click

By Michael Kelly

WASHINGTON — Hello? Hello? Is anybody there? Hello? During Hillary Rodham Clinton's trip to New York on Tuesday, her press secretary, Lisa Caputo, tried to phone home.

For investment information read THE MONEY REPORT Saturday in the HT

Away From Politics

- An FBI agent lost his appeal against conviction for passing secrets to his Soviet lover. Richard Miller, 56, was sentenced to 20 years in 1990 after being convicted by a Los Angeles jury of six counts of spying.

- A former Shearson Lehman Bros. official has been indicted on charges that he knowingly used a forged document in an attempt to discredit a customer who had filed a complaint against Shearson.

AMERICAN TOPICS

Determining Health By Waist-Hip Ratio

Waist-hip ratios are better health indicators than the commonly used height-weight ratio, according to a study of 41,837 Iowa women aged 50 to 69. The study by a University of Minnesota public health team appears in the current issue of the Journal of the American Medical Association.

Hospital in Boston, who did not take part in the study, cautioned that obesity — 20 percent or more excess weight — increases the risk of high blood pressure, adult-onset diabetes, coronary heart disease, gall bladder disease and other ailments.

Also, she said, waist-hip ratios are largely genetically dictated, and most people would be much more successful in reducing their weight relative to their height than altering their waist-hip ratios.

or demand safer jail accommodations. Investigators cite as many as 10 such cases in the past three years. Inmates have filed five lawsuits but none have come to trial.

Thurgood Marshall, who blazed a trail for black rights before becoming a justice of the U.S. Supreme Court, died this month at 84. James O. Freedman, president of Dartmouth College, who was a law clerk for Justice Marshall when the latter was a federal appeals court judge, said, "He is probably the only person ever appointed to the Supreme Court who would have had a place in American history before his appointment."

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# Germans Mark Rise Of Hitler

## 60th Anniversary Prompts a Pause

Compiled by Our Staff From Dispatches  
**BONN** — Marking the 60th anniversary of Hitler's rise to power, Chancellor Helmut Kohl said Friday that months of racist violence did not mean that Germany had not learned its lessons from the Nazi years.

But other officials and Jewish leaders warned that Germans must carefully guard their democracy.

Thousands of Germans, mainly at newspapers and broadcasting stations, stopped working for 15 minutes of silence to commemorate the anniversary on Saturday and to protest months of neo-Nazi violence. Rightist radicals carried out more than 2,000 attacks last year, leaving 17 people dead.

The anniversary of Hitler's takeover was causing many Germans to reflect on the re-emergence of intolerance. Nationwide anti-violence demonstrations were planned for Saturday.

Mr. Kohl said it was "essential to prevent all violence and protect human dignity."  
 "We Germans have learned that freedom, justice and peace are inseparable conditions for living together" in the world community, he said.

But Jews in Germany took a more pessimistic view. "After the events in the past year, all of us must take heed that xenophobia, racism, anti-Semitism and intolerance are not given another chance in Germany," a Jewish statement said.

Ignatz Bubis, the top Jewish official in Germany, reminded Germans that Hitler had come to power with the help of democratic parties.

Urging modern political parties to unite in the fight against the far right, he said that pre-Hitler Germany "failed less because of the extremists than because of lack of resistance by democrats."

But Mr. Bubis also said there was no comparison between Weimar Germany and the country today.

Otto Lambdorff, chairman of the Free Democrats, joint partners in the coalition government, said: "Bonn is not Weimar. But the lessons of Weimar must not be forgotten in Bonn."

Hitler was chosen Germany's leader on Jan. 30, 1933, which set the stage for the Nazi persecution of European Jews and other minorities, and a world war.

There were three related developments:  
 • The Foreign Ministry announced that Germany would pay one billion Deutsche marks (\$625 million) to the victims of Nazism in Russia, Belarus and Ukraine. The first payments are to be made by May, after final agreement by the governments concerned.

• The Turkish Consulate in Münster was the target of an arson attempt Thursday, but no one was hurt, the police said.

• Policemen raided the residences of two politicians from the small but vocal far-right Republikan Party and seized 10,000 leaflets. Prosecutors in Dortmund said the leaflets mocked campaigns for tolerance toward foreigners.  
 (AP, Reuters, AFP)



**ANTI-FOREIGNER DRIVE** — Jörg Haider, leader of Austria's extreme-right Freedom Party, waving to supporters at a Vienna rally. Mr. Haider is collecting signatures for a referendum on whether the number of foreigners in the country should be restricted.

# Army Won't Aid Serbs, Diplomats Say

By Chuck Sudetic  
 New York Times Service

**BELGRADE** — Despite renewed firefighting between Croatian Army forces and rebel Serbs along Croatia's Adriatic coast, Western diplomats say they do not expect Yugoslavia's army to intervene on the Serbs' behalf unless the fighting radically intensifies and spreads.

"The Yugoslav Army won't move in if it remains localized," a Western diplomat said. "But our experience here is that once the fire starts, it burns through a large part of the forest before it stops."

Though Yugoslavia's and Serbia's leaders have warned that they would use "all means necessary" to protect the beleaguered Serbs, they have also clearly indicated that the Yugoslav Army will not enter the conflict unless the United Nations fails to restore peace.

The Yugoslav Army, which is now practically

an all-Serbian institution, stepped up the war in Croatia in September 1991 by sending huge columns of tanks, artillery and soldiers from Serbia and Montenegro to attack Croatia's eastern panhandle and the Adriatic city of Dubrovnik.

The army's units have been on a heightened state of alert for days, but the high command has issued no public statements indicating that intervention is imminent.

In two carefully worded resolutions, the UN Security Council has called for Croatia to withdraw its forces unilaterally from areas taken in a new offensive and for the Serbs to return tanks and heavy artillery taken from storage areas supervised by UN peacekeeping troops.

Despite the balanced resolutions, Serbian leaders have hailed the Security Council's decisions as a major turnaround in Western policy toward the fighting in the former Yugoslavia. Diplomats here said the Yugoslav and Serbi-

an leadership was loathe to risk losing the image of being "victims" with a rash military response to the Croatian attacks at their present intensity level.

"The Serbs see the clear diplomatic advantage to leaving Tudjman hanging out there in defiance of the United Nations," the diplomat said, referring to Franjo Tudjman, the Croatian president. "The question is how far Tudjman is going to push things, whether he is going to put in jeopardy the real security of the Serbian population inside the occupied areas."

But Western diplomats and UN officials have expressed concern that Serbs in control of almost a third of Croatia's territory, a land they now call the "Serbian Krajina Republic," may try to force Yugoslavs to send in the army by coaxing a broader Croatian attack with retaliatory shelling of Croatian towns near still-peaceful parts of the front line.

At the peace talks in Geneva, Mate Boban, the Bosnian Croat leader, said he expected all three of Bosnia's warring factions to accept an international peace plan at talks Saturday. Lord Owen, the European Community mediator, said he was confident all three sides would soon accept the peace plan, even if he and the UN mediator, Cyrus R. Vance, would have to go to the United Nations to push it through.

• The Bosnian government asked for a UN Security Council meeting to deal with what it called "gross manifestations of renewed Serbian and Montenegrin aggression." Bosnia's UN representative, Mohammed Sacirbey, cited recent examples of alleged aggression, including the heaviest bombardment of the capital, Sarajevo, in four

months. The shelling, which began Wednesday, continued Friday in the old city and near Kosovo hospital.  
 (AP, Reuters, AFP)

# UN Chief Fraying U.S. Nerves

## It's Not Arab League, American Officials Say

By John M. Goshko  
 Washington Post Service

**WASHINGTON** — U.S. annoyance with Boutros Boutros Ghali is growing after a series of disagreements that has led some American officials to conclude that he acts more like the head of the Arab League than the secretary-general of the United Nations.

In the latest incident, the Clinton administration is objecting strongly to Mr. Boutros Ghali's plan to replace Dick Thornburgh, the undersecretary for management, with a non-American.

The dispute over the management post involves U.S. determination to prevent a drive for UN reform from being sidetracked. It is also the latest in a series of disagreements between the United States and the Egyptian diplomat who was named to the top UN job a year ago.

In recent weeks, American officials have accused Mr. Boutros Ghali of stalling a UN takeover of peacekeeping duties in Somalia from U.S. troops and unnecessarily making worse pressures for a UN confrontation with Israel over its deportation of more than 400 Palestinians to Lebanon.

Secretary of State Warren M. Christopher plans to go to the United Nations on Monday for the official purpose of introducing the new U.S. delegate, Madeleine K. Albright, and underscoring U.S. support for the world body. But American officials said he also intended to discuss the U.S. complaints with Mr. Boutros Ghali.

The secretary-general initially enjoyed good rapport with the United States because of his promise to pursue reform of the world body and his support of U.S. measures toward Iraq and, to a lesser extent, warring parties in the Balkans. More recently, however, American officials have made no secret of their belief that Mr. Boutros Ghali's ties to African and other Third World blocs with strong patronage interests at the United Nations were weakening his zeal for reform.

Regarding Somalia, American officials hold Mr. Boutros Ghali responsible for stalling the withdrawal of U.S. troops. They describe the UN leader as reluctant to assume the political and financial demands of taking over the peacekeeping operation there and regard as unrealistic his desire to have U.S. forces disarm and pacify the feuding Somali factions before he sends in UN peacekeepers.

Robert B. Oakley, the special U.S. envoy in Somalia, has accused the United Nations of "dragging its feet" on the transfer of responsibilities.

Mr. Boutros Ghali dismissed Mr. Oakley's complaint, saying "Washington knows better than their man in Mogadishu" and repeating that it will be at least four to six months before the United Nations can take over.

Regarding the deported Palestinians, Mr. Boutros Ghali has called for the UN Security Council to talk "whatever measures are necessary" to force Israel to readmit the deportees, saying such a move is necessary to assert UN authority and avoid charges that the council follows a double standard.

Although American officials have also urged Israel to reverse the expulsions, they say Mr. Boutros Ghali is forcing the issue before the Security Council in a confrontational manner that works against U.S. efforts to find a compromise, and that could undermine efforts to find a compromise, particularly if the United States is compelled to veto a resolution sanctioning Israel.

"He is acting in this case like he is secretary-general of the Arab League rather than secretary-general of the United Nations," one senior American official said. "His whole approach seems geared more to enabling the Arabs to score points in the battle for world opinion than to solving the problem."

The officials said the new administration felt forced to confront Mr. Boutros Ghali when it became known this week that he might try to replace Mr. Thornburgh with a non-American. Mr. Thornburgh, former attorney general in the Bush administration who took the management post a year ago, plans to leave the United Nations on March 1.

American officials have been told that Mr. Boutros Ghali intended to replace him with Karin Elvik-Holmsrum, a Norwegian who has been a senior official of UNICEF since 1985. UN sources said senior officials had an outstanding administrator, but she was regarded as one who lacked the stature and the backing to combat those forces opposed to curbing waste, fraud and abuse in UN agencies.

There has always been a tacit understanding that each of the five permanent Security Council members — the United States, Britain, France, Russia and China — would control one of the undersecretary posts. Some UN sources said Mr. Boutros Ghali's choice of Mrs. Sham Poo apparently was dictated by his sympathy with Third World calls to break up the big-power monopoly and his interest in placing more women in senior jobs.

But the United States had staked out the management job last year specifically to push reform, and American officials have advised Mr. Boutros Ghali of their displeasure with his plan. "We let him know that if he wants a fight about this, we're willing to give him one," a senior American official said.

Mr. Christopher is expected to tell Mr. Boutros Ghali that if the United States loses the management portfolio, there is likely to be a severe backlash in Congress against any effort by the administration to pay the substantial back dues and to obtain full funding of future annual dues.

# DAM: Blasted by Serbs, Earthen Structure Is Leaking

(Continued from page 1)

immediate danger. They said that no villages were being evacuated and sufficient warning would allow people to reach high ground if more trouble developed.

International officials were not so sanguine. "It's the nightmare we've been fearing since October," said a senior United Nations official.

A parade of dump trucks was pouring a cascade of rocks, sand and earth onto a deep 13-meter gash in the dam's eastern end, where millions of liters of water were cascading down 65 meters. A buckled concrete facade was all that was left of a nearby regulating tower that controlled sluice gates.

Down below, a 48-megawatt power plant was knocked out of commission, still largely covered with mud. It had been partly submerged by the inundation that followed the explosions.

The tarmac road across the 400-meter-long top of the dam buckled in half a dozen spots, as if from an earthquake, and it ominously dropped about 3 meters in the center. Croatian officials stepping gingerly along marked paths to avoid possible mines worried that internal "erosion" from the impact of explosions deep inside the dam's clay core could eventually cause it to give way.

General Ante Rospo, commander of the Croatian special forces that retook the dam Thursday, estimated that the Serbs had used 35 to 37

tons of explosives at seven sites inside the dam. He said the gaping hole was caused by three charges totaling five tons.

To relieve the pressure against the back of the dam, engineers were trying to lower the level of the reservoir. They said they had opened diversionary outlets for the water around the western end. A stream of muddy water could be seen plunging down the mountainside to join the swollen river below.

But they admitted that the dam was virtually demolished and would have to be rebuilt.

• **Croats Block Relief**  
 News agencies reported these related developments in the Balkans conflict Friday:

• Sylvana Foa, spokeswoman for the UN High Commissioner for Refugees, said in Geneva that Croatian fighters had blocked relief convoys throughout central Bos-

nia. Sarajevo can only get aid from Belgrade through Serb-held areas and from an international airlift, she said.

• At the peace talks in Geneva, Mate Boban, the Bosnian Croat leader, said he expected all three of Bosnia's warring factions to accept an international peace plan at talks Saturday. Lord Owen, the European Community mediator, said he was confident all three sides would soon accept the peace plan, even if he and the UN mediator, Cyrus R. Vance, would have to go to the United Nations to push it through.

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months. The shelling, which began Wednesday, continued Friday in the old city and near Kosovo hospital.  
 (AP, Reuters, AFP)

# ZAIRE: Soldiers Rampage in Kinshasa Amid Breakdown of Authority

(Continued from page 1)

the French envoy, at least seven foreigners were among the dead, including two Frenchmen, two Lebanese, two Belgians and an Italian.

Hundreds of foreigners sought refuge in embassy compounds.

In Paris, officials said 10 French paratroopers entered Zaire from neighboring Congo to secure the embassy building in Kinshasa, where several hundred French nationals were taking shelter.

"For the moment, 400 French people are at the French residence in Kinshasa," a Foreign Ministry spokesman said. "It seemed desirable to ensure their security with the presence of 10 troops who arrived this evening from Brazzaville."

A contingent of French Marines also arrived in Kinshasa and were prepared to evacuate French nationals.

Mr. Claes said the Belgian government had decided to evacuate its nationals to Congo. About 3,000 Belgians live in Zaire, a former Belgian colony.

"The situation is deteriorating at such a pace that one has to expect increased demands from

Belgians to leave the country," Mr. Claes said in Brussels.

The estimated 800 U.S. nationals in Zaire, including about 220 in Kinshasa, apparently were all safe and unharmed, the State Department spokesman, Richard A. Boucher, said in Washington.

Kinshasa's international airport was closed, airline sources said.

Rioting soldiers on Thursday killed the French ambassador, Philippe Bernard, in what the French government described as a machine-gun attack on the embassy. Earlier reports said that the ambassador had been killed by a stray bullet.

Torn between Marshal Mobutu who, backed by part of his army, refuses to cede power, and an opposition transitional government unable to seize full control, Zaire finds itself isolated on the international scene.

The United States and the European Community have suspended all aid to protest Marshal Mobutu's refusal to accept democracy, while the population — both civilian and military — lives in extreme poverty.

The transitional government, which pro-

claimed its sovereignty on April 16, adopted a new constitution on Nov. 14 that aims to bring democracy to the country. But Marshal Mobutu has been adamant that he will continue to rule under the old basic law.

The United States, France and Belgium have publicly called for Marshal Mobutu to hand over power to the transitional government, which is led by his rival, Etienne Tshisekedi. Marshal Mobutu, who has ruled the country for 27 years, has refused.

Despite huge mineral wealth, Zaire, with a population of 38 million, is one of the world's poorest countries, with a gross national product of \$200 per person in 1990 and an \$11 billion foreign debt.

In Washington on Friday, the Clinton administration urged Marshal Mobutu to stop interfering with a peaceful transition to democracy.

"The situation that has developed results from Mobutu's failure to cooperate and give authority to the transition government," said Richard A. Boucher, a State Department spokesman.

(AP, Reuters, AFP)

She and two other members, Reinm Jochimsen, a board member of the Bundesbank, and José Israel Vargas, the Brazilian science and technology minister, were appointed spokesmen for the group.

Not that it needed any. The three stonewalled all questions, saying that they had made a collective decision not to say anything about their deliberations. Mr. Jochimsen acknowledged that the panel was "in a twist" about calling a news conference without having anything to say.

Unesco's executive board set up the 21-member body to discuss the future direction of the cash-strapped organization, which the United States abandoned in 1984, followed by Britain and Singapore, thereby losing a third of its income.

One member of the forum, Vaclav Havel, failed to attend because he had just been elected president of the Czech Republic. Another, the author Umberto Eco, was not present at the news conference because he also belongs to a competing think tank, the Universal Academy of Cultures, headed by the Nobel peace laureate Elie Wiesel. The academy was inaugurated on Friday by President François Mitterrand.

Before the collective vote of silence, Mohammed Badjioui of the International Court of Justice said that the panel would examine the "increase of political, religious and ethnic tension throughout the world."

Unesco officials said that one of the reasons the group was unable to say anything was that it could not provide any answer to country questions about national and cultural identity. They privately described the news conference as an embarrassment for Unesco's director-general, Federico Mayor Zaragoza, who has sought to give the organization an image of greater dynamism and purpose.

Mr. Mayor later said he wished the forum had been a bit more forthcoming. "For example, the problem of mass migrations — I know they talked about this a lot, this interests me a lot," he said.

The United Nations Educational, Scientific and Cultural Organization's forum is scheduled to hold a second meeting later this year in Colombia. The spokesmen promised that they will say nothing at all about that one, either.

**Republicans Elect Leader**  
 United Press International  
**ST. LOUIS** — Republican state chairman elected Haley Barbour on Friday as their national committee chairman, replacing Rich Bond. Mr. Barbour, a national committeeman from Mississippi, won 90 of the possible 165 votes cast.

# Communications Panel For Unesco Clams Up

By Barry James  
 International Herald Tribune

**PARIS** — Twenty intellectuals summoned by the United Nations Educational, Scientific and Cultural Organization to discuss such matters as the "communication question" and the "diffusion of knowledge through modern techniques" ended a two-day meeting Friday by declining to say what they had discussed.

The eminent thinkers refused to say even what had been the agenda at the \$200,000 Forum for Reflection. At a news conference, they

said only that their discussions had been enjoyable and fruitful, and that they had spent much of the time getting to know one another.

The Nobel prize-winning novelist Gabriel Garcia Márquez and other members declined to say anything.

Journalists who had come to hear the author of "One Hundred Years of Solitude" were told that they had to put all questions through the Australian delegate, Elizabeth Ewaik, the author of "Child Support Assessment Scheme - A User's Guide."

She and two other members, Reinm Jochimsen, a board member of the Bundesbank, and José Israel Vargas, the Brazilian science and technology minister, were appointed spokesmen for the group.

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# Tokyo Quashes Talk of Wider Military Role

Reuters

**TOKYO** — Prime Minister Kiichi Miyazawa ordered his cabinet on Friday to stop official public discussion of revising Japan's pacifist constitution as a way to widen the military's international role.

Foreign Minister Michio Watanabe and some other senior members of the governing Liberal Democratic Party have challenged the effective taboo on amending the 1947 constitution, which bans military action overseas.

The party set off national debates recently by announcing it would set up a parliamentary panel to look into constitutional revisions. These would allow Japanese peacekeeping troops, which have been sent to United Nations-sanctioned operations, to operate also in war zones.

Mr. Miyazawa, acting with unusual resolve Friday, muzzled unruly ministers by instructing them not to take a pro-revisionist stance.

The constitution is based on the concepts of pacifism and respect for basic human rights," he said in a document read to the ministers at the end of a meeting. "These concepts must be upheld."

He added, "The cabinet has no plans to offer political discussions on amending the constitution."

Mr. Miyazawa said later that ministers were free to speak individually but not as government representatives.

# DEEDS: Piece of America

(Continued from page 1)

is coupled with the fact that, as with real estate in China, there is not much around.

In fact there is plenty, according to American Acres Inc., which sells the product in the United States. The company, which says it has purchased an acre in each of the states, divided its holdings into 6,272,640 shares, one for each square inch.

About 250,000 deeds have been sold around the world, with China by far the largest market.

In Guangzhou, where enough people have hidden bank accounts that they can begin to appreciate the concept of buying something, a few business executives are thinking about the deeds as a collector's item or a speculative stock.

But for many Chinese the land offers what to most people would be a remote possibility: the chance to clinch a visa. Unfortunately, the Chinese are mistaken.

U.S. Embassy and consular officials deny that a deed will help obtain a visa. The fine print is in English, and many buyers ignore it. The main distributor in China is the Haiwang Group, a company based in Shenzhen. Haiwang claims it plans to arrange for new property owners to visit the United States to "inspect" their land, but has contributed to the confusion over visas.

Haiwang representatives refuse to comment. "I'm sorry, I can't answer your questions," said a staff member. "Our officials are on vacation. They cannot be contacted."

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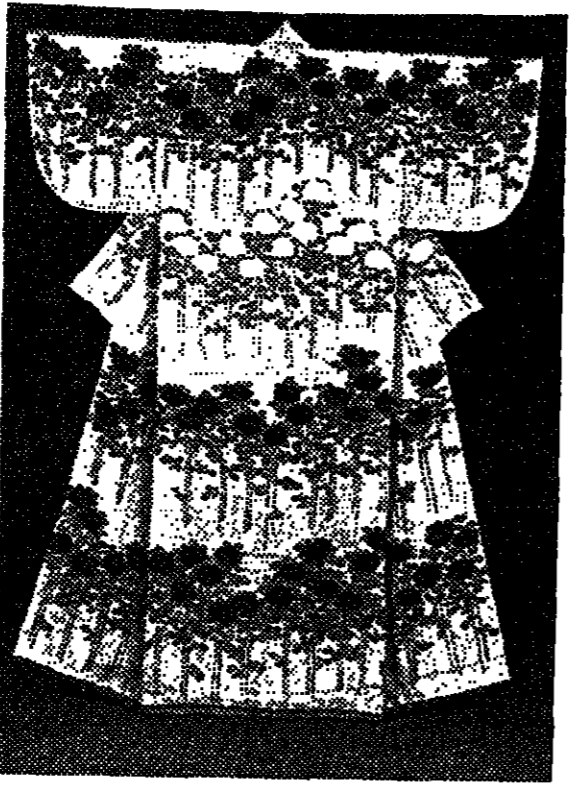
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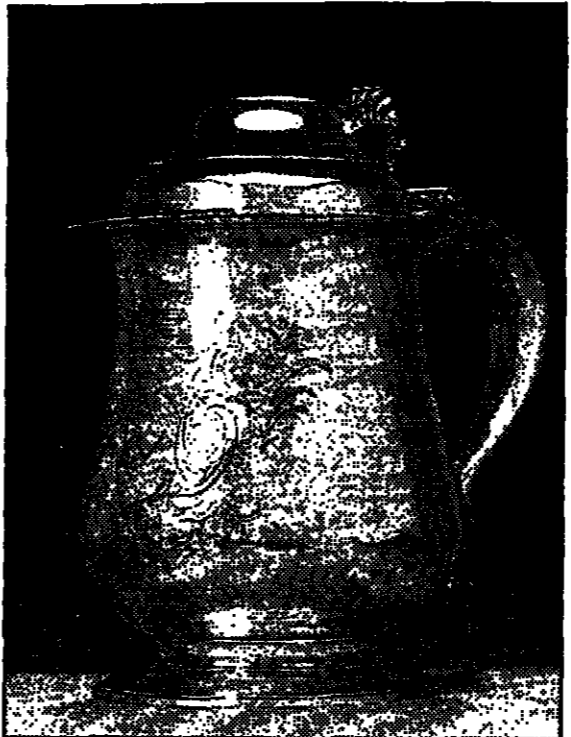
LOS ANGELES — Real life upstaged almost everything happening in Hollywood on a recent morning when 100 kimono-clad women from Kyoto filed through the Japanese costume extravaganza at the Los Angeles County Museum of Art.



Purple, white and red blooms on a yellow field.

Top Prices Prove Connoisseurs' Skills

NEW YORK — Two remarkable collections formed by East Coast connoisseurs who grew up before World War I were sold recently at Christie's — one devoted to antique silver from the United States, the other to English faience. Together they summed up the essence of American collecting at its most sophisticated: highly focused, researched in-depth, carried out almost like military campaigns.



Silver tankard, left, which sold for \$71,500; pair of Staffordshire creamware birds, circa 1755, fetched \$143,000.



Souren Melikian notes in a preface, he became blind in one eye as a child. Through sheer willpower, he made it to Bowdoin College and, helped financially by a local judge, was able to study at Harvard Law School.

After buying the tankard and tracing its history, Halpin found out that it had surfaced early in this century in New Brunswick — a Loyalist-controlled territory where the thief presumably took it in 1781. Halpin's detective work touched a chord among his fellow collectors attending the sale.

Halpin's sleuthing achievements and sheer rarity proved irresistible. All but three of the 127 lots found buyers for a total far above the high estimates. Connoisseurship, rather than the lure of history per se, seems to have been the true factor behind its success.

On Monday at Christie's, the cup climbed to \$71,500. Tastes have changed. English delaware now rides a high crest and the current yearning for precision makes an early dated piece immensely desirable.

On Monday at Christie's, the cup climbed to \$71,500. Tastes have changed. English delaware now rides a high crest and the current yearning for precision makes an early dated piece immensely desirable.

The Eyes of the Camera

In Photography, a Spooky Fascination

By Vicki Goldberg

NEW YORK — Photography is so multifarious and omnivorous that books and shows can be — and are — concocted around just about any subject in the real world that someone takes a fancy to: dogs, cats, horses, pigs, flowers, cars, trains, hands, feet, babies, crowds, diners, baseball fields.

At Laurence Miller, Manuel Alvarez Bravo slyly sends up the saint's legend. A woman's naked torso confronts the viewer, the sun-tanned outline of her bra clearly visible, and she holds a tray on which two round glass eyes look up to ogle her round breasts.



Detail of "Difficult Seating" by Gary Brottmeyer.

For Destruction," a metronome with a photograph of an eye on the end of its swinging arm. Surrealist artists and photographers depicting unmoored eyes may have been alluding to the vision of the mind, to the unconscious, to visionary insight. But there is always the possibility, obvious as it may sound, that photographers who pursued this path, and perhaps the painters too, were referring to vision itself.

Pragmatic merchants long ago made the single or paired eye into signs for opticians, and many photographers have delighted in that optical reference. Photographers may even be planting visual similes.

In "Eye for I," Jerry Uelsmann inserts an enormous eye into a urinal and calls the image "Philsine's Eye." Lee Friedlander marks the city that Big Brother could be watching you in your individually wired retreat by photographing a motel room where a single large eye fills the screen.

Halpin's triumphs in art resembled the cases he won in court — they were the outcome of relentless investigation by a man obsessed with precision. With the help of a vast reference library, he would piece together episodes from the life stories of figures of the American past and expand our understanding by identifying the initials on some of the objects he bought for that purpose.

Once the key is found it all looks easy. DA stands for Daniel Ayrault (1676-1764), a merchant from Newport, Rhode Island; the monogram SM fits Ayrault's great granddaughter, Susan Mason. Clutching this reading beyond reasonable doubt, the combined initials OHECP are to be understood as those of Oliver Hazard (Perry) and his wife, Elizabeth Champlin (Mason) Perry.

Landscape is a plausible and long-established pretext for a show, but eyes? In fact, photographers have paid a great attention to eyes, and highlighting that interest amounts to a perfectly respectable, even a piquant thing to do.

Disembodied eyes have a long enough history in art. An extra pair of them identifies Saint Lucy, who wears a pair of silly, pop-eyed glasses, a how prettily tied about the ankle, and a tweed shawl.

It was the Surrealists who had the deepest fascination with eyes unattached to their common supports. Man Ray, represented at Laurence Miller by a photograph that has precious little to do with eyes, did produce one Surrealist ikon with a displaced eye: "Object

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INTERNATIONAL **Herald Tribune**

Published With The New York Times and The Washington Post

**Out of No-Man's-Land**

Prime Minister Yitzhak Rabin's expulsion last month of more than 400 Palestinians was a blunder for which Israel now pays dearly. Successive American presidents have held that the expulsion of any Palestinians from Israeli-occupied territories violates a 1949 Geneva convention. But it would compound the blunder and jeopardize Middle East peace talks for Arab states to press for UN sanctions before President Bill Clinton's team has even settled in.

Forcing a UN Security Council vote on sanctions would put a well-disposed but unruffled administration instantly in the briar patch. Successive presidents have also promised to protect a beleaguered Israel from punitive sanctions, if necessary by exercising the veto on the Security Council.

However vetted by Mr. Rabin, Washington would be right to cast that veto if the president and Secretary of State Warren Christopher are denied a reasonable chance to seek a way out.

Hopes that Israel's Supreme Court might save the day proved vain. The court ruled Thursday that the expulsions were legal, though it extended the right of appeal to each expelled person.

As expected, that gesture was rebuffed by the Palestinians, who are now huddling in tents in a freezing no-man's-land in Lebanon. That perfectly suits the banished Islamic militants, since their plight has effectively stalled the peace talks they vigorously

oppose. The talks were due to resume in Washington early next month.

A face-saving exit is possible. The Clinton administration has already slowed the rush to a Security Council vote. That buys time for an appeal to Mr. Rabin to shorten the two-year expulsion order to months or even weeks, and to provide for case-by-case hearings of all accused terrorist acts. Whatever the domestic political costs for Mr. Rabin, magnanimity would better serve Israel's wider interests.

Israel's defenders justly argue that the world takes too little note of the terrorist crimes committed by Islamic extremists, and of their fanatic determination to block any compromise settlement between Israelis and Arabs. But the expulsion diverts attention from Israel's complaint. It makes sense for Mr. Rabin to limit the damage by amending the expulsion order.

Should Mr. Rabin take this course, and should the Security Council nevertheless vote to impose sanctions, then Mr. Clinton would be justified in casting the first U.S. veto in more than two years. Whatever Israel's offenses, it mocks reality for Arabs to imply that the expulsion is equivalent to Saddam Hussein's crimes against Kuwait or Libya's complicity in state terrorism.

By all means hold Israel to the letter of Geneva conventions. But do not exaggerate the scale and nature of the infraction.

—THE NEW YORK TIMES.

**Put the Shovels Away**

What? One week and it's over?

To hear some of the ominous commentary, you would think the White House roof had caved in. Poor President Clinton: what promise he had. Soon, we expect learned discussions about whether there is a constitutional provision to deal with an administration pronounced dead and beyond the reach of the Heimlich maneuver in its first week, and what kind of president Al Gore will make if he is forced to take over because of the current tragic circumstances.

What is going on here? Of course, Mr. Clinton has his share of problems and plenty of problems of his own making. He has had to rewrite his economic plan because the numbers he used during his campaign did not add up. The Zof Baird nomination was insufficiently checked out; her conduct concerning the Peruvian employees was not taken as seriously as it should have been; the whole thing thus misfired. The president has a big battle on his hands over ending the ban on gays in the military — partly because he did not properly cover his bases in Congress, though it always was destined for a fight. And — is anyone really surprised by this? — it turns out to be quite

complicated to produce a health care plan that will work and can pass Congress.

Mr. Clinton no doubt wishes that he had done some things differently, a lot of us wish he had done some things differently. And the president probably would rather not be tested so hard on this combination of issues so early. But this situation is not exclusively the result of wobbles or blunders. No little part of his troubles stem from wobbler sources. For one thing, he has taken on some causes that are not exactly peaceful, including gay rights and the quest for a consensus that might lead to both more energetic government and a budget that once more honest and closer to balance. Is it such a bad idea for him to take his lumps on these issues earlier rather than later?

But we come neither to praise Mr. Clinton nor to bury him, simply to remind you what time it is, and by that we do not mean, as Al Gore so relentlessly had it, that "It's time for them to go." We mean: It is Week Two of the Clinton presidency, not Year Four or even Year Two, for that matter. Surely it is not over, even by Washington standards, till at least, say, Week Twelve.

—THE WASHINGTON POST.

**To Cut Social Security**

The Clinton administration has given fair warning that in cutting the deficit it is likely to try to cut the cost of Social Security. So far there have been none of the thunderbolts that such a proposal is supposed to induce. The fear among politicians that they touch this issue at their peril may be greatly exaggerated. Who more than grandparents wants to reduce the future burdens on today's grandchildren? In fact, there is no easy or equitable way to move the deficit out of the danger zone without including Social Security.

Not only does the giant benefit program constitute one-fifth of all government spending, it serves as a model or an example. Cut its cost, and you open the way to making similar cuts in other major programs; exempt it, and other constituencies can demand exemption as well. The question on the merits is not whether this cost should be reduced, but how.

The latest hints have the administration thinking of somehow cutting the annual cost-of-living adjustment, or COLA, whereby benefits are kept abreast of inflation. The advantage of this is that it is simple, or can be — either suspend the indexation for a period or hold it at a percentage point or so below the full inflation rate. It can easily be extended to other programs whose benefits are also indexed. The disadvantage is that without full indexation many of the elderly would quickly drop below the poverty line, reversing one of the great social accomplishments of the last 30 years.

There is also a good alternative to cutting the COLA — subjecting a larger share of Social Security benefits to the income tax. This could end up saving the same amount of money or even more, but the burden would fall on the better-off; the poor do not pay income taxes.

We have our own reservations as to the indexation of any programs. Indexation locks the government in; it has the effect of amplifying and locking in inflation as well. But without it, there is a great danger that vital benefits can be allowed to slip. The best current example is welfare benefits, which in recent years have lost one-third of their purchasing power. And there is also the opposite danger, which is that, without indexation, some costs may increase more than inflation; it is worth remembering that Social Security benefits were indexed in 1972 not as an act of generosity but as a discipline on a Congress that could not say no. It is worth remembering as well that important parts of the income tax are now indexed too. The indexation of benefits and other provisions has the effect of holding taxes down.

If there is going to be a brief departure from the principle of indexation, it ought to apply to the income tax as well. One year's suspension of most of these provisions would add about \$50 billion to revenues over the next five years combined. That is about the same as a year's suspension of Social Security indexation would save, but with much better distributional results.

—THE WASHINGTON POST.

**Other Comment**

**Let the 400 Return**

Israel's Supreme Court dealt the government of Prime Minister Yitzhak Rabin a cruel blow in affirming its right to deport more than 400 Palestinians, 396 of whom languish in no-man's-land on the Lebanese border. The deportation has brought Israel international opprobrium. It has displayed Israel as outsmarted by Syria's dictator, Hafez Assad, who ensured that the men could not enter Lebanon. It has probably strengthened rather than weakened Hamas, the fundamentalist extremist group.

There is a good deal of hypocrisy in the outrage against Israel on this matter. Arab states repress Hamas, too. Nonetheless, dumping people without food, medicine or shelter at a barren borderland is inhumane. Not as inhumane as executing, torturing or imprisoning them, which some Arab gov-

ernments are wont to do with dissidents, but well beneath standards of decency.

The deportees were not tried. Any evidence against them was not made public. Israel says it has broken a dangerous illicit organization that includes a terrorist arm, but the outside world has only Israel's word. Israel ought to comply with the UN Security Council resolution of Dec. 18 demanding the repatriation of these men, and knows it. The Clinton administration must influence Israel to comply with Security Council resolutions. It must also try to avoid, without veto, any UN sanctions against Israel for failure to comply.

What Israel, Saudi Arabia, Egypt, the PLO and others with a stake in a Middle East settlement must accept is that they are the losers if this incident becomes the reason that peace negotiations break down.

—The Baltimore Sun.

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**Is Clinton On a Slippery Slope Toward Carterdom?**

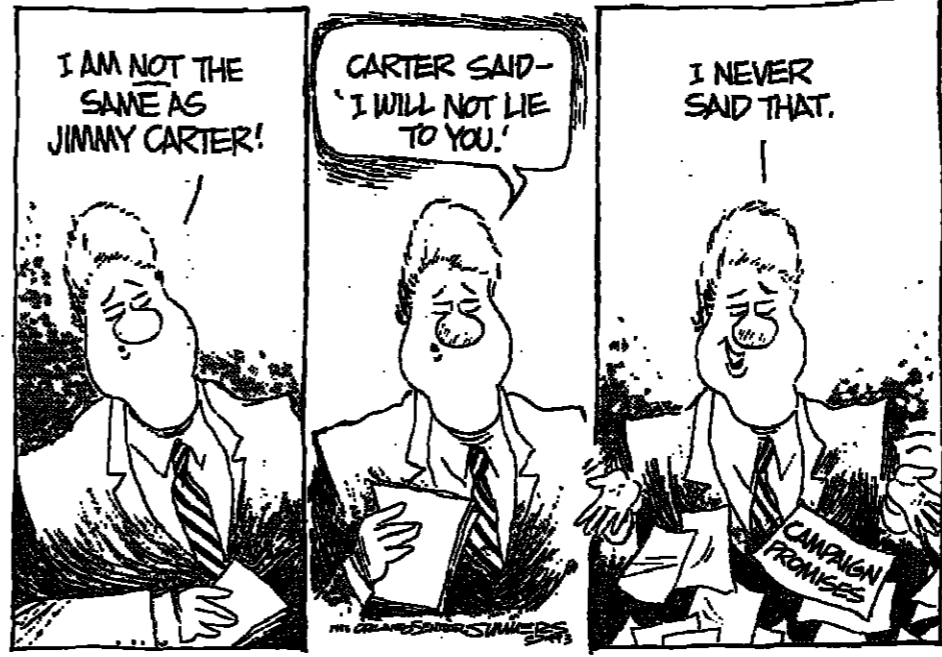
By Leslie H. Gelb

NEW YORK — Bill Clinton may not know it, and certainly will not like to hear it, but much of what he has said about foreign policy echoes Jimmy Carter's campaign themes and policies. This coincidence merits the new president's attention — for voters booed Mr. Carter after four years, in good part because of his troubles abroad. The theoretical similarities are startling. Both Democrats courted the liberal vote by stressing a new agenda in world affairs: promoting human rights and democracy, curbing the spread of nuclear and conventional arms, emphasizing centrality of international economics, promising cuts in military spending, and so on.

Both appealed to conservatives by preaching toughness: The Georgia governor slammed Henry Kissinger for being too soft on Moscow about human rights and strategic arms; the Arkansas governor repeatedly suggested that he would be even harder on foreign outlaws than George Bush.

The big difference, of course, is that President Clinton does not have to worry about the Cold War. Mr. Carter stumbled badly in trying to downplay the Soviet-American rivalry at the very peak of its crescendo. He failed mainly because of confusion and weakness in his Soviet policy. He faltered elsewhere not because his ideas were wrong, but because he never packaged them strategically and coherently. He also flopped because he never understood the politics of foreign policy.

Mr. Carter's most evident flops — doing little to deter crises in Iran and Afghanistan — were no worse than those of his Republican successors. Ronald Reagan sent the Marines to Beirut to protect U.S. "vital interests," only to withdraw them without explanation after 241 troops were killed in a terrorist attack. Against common sense and his stated policy, he traded arms for hostages with Iran.



And George Bush coddled Saddam Hussein, flattering him and giving him grain credits right up to the moment the Iraqi invaded Kuwait.

Meanwhile, Mr. Carter's successes were about as impressive as the Republicans' over the next 12 years. Mr. Reagan "conquered" Grenada and ushered in the Gorbachev revolution. Mr. Bush "vanquished" Panama, helped ease the death of communism and earned a genuine triumph building the Desert Storm coalition.

Mr. Carter pulled off the Panama Canal treaties, fell fits with China, a strategic arms accord with the Soviet Union and the invaluable Camp David peace treaty between Israel and Egypt. He also concluded a major free trade agreement and pushed human rights and democracy to the top of the U.S. policy agenda.

Yet these accomplishments never loomed as large as they should have. They seemed isolated and ad hoc, unilluminated by a grand design. Nor did he prepare Americans or allies for failure by spotlighting dangers ahead or explaining how his strategy would accommodate setbacks.

Unlike Mr. Reagan, Mr. Carter did not understand the need to soothe Moscow with bold new action. The day after the terrorist attack in Beirut, the Old Gipper invaded Grenada. Unlike Mr. Kissinger, Mr. Carter did not know how to

ignore his failures and exaggerate his successes. Mr. Carter's farsighted new agenda for world politics lacked an anchoring overall strategy, and thus looked both radical and incoherent. He never laid out how he would press unsavory allies on human rights without undermining their regimes. He tried to halt the proliferation of arms without first laying the necessary groundwork. He failed to show how his innovative policies would fit together and profoundly affected people's lives.

Mr. Carter's disinclination to be tough and appear tough also proved self-destructive. The arbiters of "toughness" — principally Republicans, media stars and foreign leaders — quickly portrayed him as weak. That reputation invited every one's challenge. Worst of all, he rarely exacted a price from his detractors at home or abroad.

Like Mr. Carter, Mr. Clinton's instincts seem to be conciliatory. But he insists that he appreciates the value of toughness. Many of his allies would not mind a demonstration volley against a political adversary.

Unlike Mr. Carter, Mr. Clinton always talks about something he calls "strategy." But it seems more like general themes followed by lists. A strategy explains why something needs to be done — and how.

The New York Times.

**A G-(More Than) 7 Should Satisfy These Outsiders**

By Hobart Rowen

WASHINGTON — Bill Clinton's inaugural address deserves careful attention. It is a good speech, sketching out three or four significant themes that provide a road map to what may be ahead, especially on economic issues.

One dominant note was the need President Clinton perceives to break with the past and take chances. He echoed Franklin Roosevelt's call for "bold, persistent experimentation."

The most important basic message was explicit acknowledgment that this is an interconnected, interdependent world in which America's internal problems cannot be separated from a global context. "There is no longer clear division between what is foreign and what is domestic. The world economy, the world environment, the world AIDS crisis, the world arms race — they affect us all."

Behind the scenes, the new White House economic council under Robert Rubin is trying to take practical steps to make the Clinton theme effective. High on Mr. Rubin's agenda is a rejuvenation of the Group of Seven political-economic coordination process, which since the dissolution of the Soviet empire has become almost a total failure.

The other participating countries — Britain, Canada, France, Germany, Italy and Japan — are also desperately seeking ways to salvage the system by the time of this summer's economic summit meeting in Tokyo.

The problem is that the major countries, America included, have found their problems diverging instead of converging. Without the "glue" of a common enemy, the G-7 states have ignored global problems and concentrated on their home fronts.

Still, the world faces monumental economic problems ranging from monetary crises and trade imbalances to serious deflationary forces that could trigger global depression — and enormous political dilemmas as well. It seems obvious that any system of global coordination should not lightly be discarded, but expanded and improved if possible.

A complicating issue is how to satisfy the desire of Germany and Japan to get permanent seats on the United Nations Security Council, a change

that Secretary of State Warren Christopher endorsed in principle on Monday. German and Japanese membership is bitterly opposed by Britain and France, and probably could not win general endorsement in the Third World without the addition of India, Brazil and Nigeria.

An interesting way out of this dilemma is offered by a former UN deputy high commissioner for refugees, W. R. Smyser, in the winter Washington Quarterly.

Mr. Smyser, who served on the National Security Council under Henry Kissinger, suggests bypassing a Security Council expansion, but adding Russia and China to the G-7 summit roster, which of course includes Japan and Germany. A new G-9 would become "the body where the most important and serious global discussions take place."

In a conversation, Mr. Smyser conceded that this "would infuriate the Third World." But altering the existing Security Council would take years, and would not address what to do about the G-7 process. Moreover,

there already is a de facto G-8: Russia has attended the last two G-7 summits and is certain to demand (and get) an invitation to Tokyo.

Political developments in Beijing are hard to forecast, but clearly China has huge potential, will grow bigger and cannot be ignored when the other powers make global decisions.

Mr. Smyser would separate the G-7 finance ministerial meetings from the G-9 process until Russia and China become more equal financial powers. Thus, the G-7 finance ministers' meetings would take on a life of their own. And the Group of Nine could evolve more toward non-economic issues. Separated from the nitty-gritty of economics, a G-9 might revert more to the intimate "library group" concept of the first summit at Rambouillet, France, in 1975.

All countries are interested in more substantial economic growth. It is now or never to get the Bundesbank off its commitment to high interest rates. Where better for President Clinton to make good on his Rooseveltian pledge of experimentation than in this arena?

The Washington Post.

**Not All the News From Central Europe Is Gloomy**

By William Pfaff

SALZBURG — Not all is gloom in Central Europe, at a year's end. A year ago, two hundred thousand people marched in Vienna last Saturday in a demonstration against xenophobia. Austria is not a country where political demonstrations are particularly the style, and the country has a reputation for conservative and nationalistic views.

If a demonstration of the same proportions occurred in the United States, more than 7 million Americans would be marching. That would make even the Big Apple take notice.

On the same weekend, in the commune of Graz, Austria's second city, the nationalist and xenophobic nationalist party headed by a young rightist, Jörg Haider, doubled its score in a local election. It went from 11.8 percent in 1988 to 20.3 percent. But this only brings Mr. Haider's party to the score attained in some local votes by France's rightist National Front. No one considers Jean-Marie Le Pen, the National Front leader, a serious threat to the republican order in France.

The issue in Austria, as in Germany and France, is immigration and refugees — foreigners inside the country, blamed for taking jobs the local people

should have, or for living on social benefits or welfare payments the taxpayer finances. In Austria, on the doorstep of the war in former Yugoslavia, there now are more than a half-million foreigners, some 7 percent of the population. The popular fear of foreign inundation has become more acute since the fall of communism. War in Yugoslavia, and the prospect of unrest on the country's Hungarian and Slovakian borders make Austrians feel seriously threatened.

The war in Croatia now has resumed, with Zagreb moving to reconquer the areas lost in 1991 to Serbian forces. The Croatian offensive is meant to make possible the return of Croatian refugees to their old homes. But if it succeeds, it will generate still more refugees, Serbs this time.

The Hungarian government has also contributed to unrest in the region by supporting autonomy for the Hungarian communities outside Hungary's frontiers, in Serbia, Romania and Slovakia. There are half as many ethnic Hungarians outside Hungary as inside, thanks to the political settlements made after the two world wars.

demand for a unitary German state.

The related idea is that members of a given nation or "race" have the right to regroup themselves. This, in practice — as Serbia and Croatia demonstrate — creates wars and flows of refugees. These refugees are unwanted in other countries and provoke popular reactions there of xenophobia.

Austria's Jörg Haider on Monday launched a drive to collect signatures of support for his proposal that the nation's constitution be amended to declare Austria a country of non-immigration, with a limit on the number of foreign children permitted in a school class, among other measures. He has to obtain 100,000 signatures for parliament to debate the issue. Parliament is in the control of the democratic parties (183 deputies against 33 for Mr. Haider), so there is no chance such measures will be passed, but it is quieted in Germany. Haider will get his 100,000 signatures.

On the other hand, in Germany, the major parties have agreed to make it easier for nonmembers of the German "race" to become nationals, by rewriting the exclusionary citizenship law of 1913. The proposal is to offer an uncomplicated naturalization to foreigners born in Germany, or to foreign residents with German educations. This comes after 80 years during which non-ethnic German children born in Germany and German-born parents were usually denied citizenship. The news, as I say, is not all bad.

International Herald Tribune  
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**Souls at Risk in a Dangerous Dance**

By A. M. Rosenthal

NEW YORK — Since the Arab states started their wars against Israel a half-century ago, hardly a week has gone by without warnings that Israel was in danger of losing its soul.

The warnings come from people who announce themselves friends of Israel, but who are displeased by Israeli survival tactics or politicians Israelis choose to govern their country.

Souls certainly are important. So it is unfair to Arabs that the warnings are never directed toward them. Surely the Islamic mixture of rage, religious fury, holy war and political hypocrisy about Israel cannot be good for any soul.

The potion is made more poisonous by the attempt of Muslim states, some of their European customers and Secretary-General Butros Butros Ghalil of the United Nations to equate the Israeli deportation of extremist Muslims fighting for Israel's death with the depredations of Saddam Hussein and the slaughter in Bosnia.

On this all can agree: Prime Minister Yitzhak Rabin handed his enemies a handsome political victory and Israel's nervous friends heaps more delicious guilt opportunities. Rarely has a leader kicked himself in the rear end so smartly, so publicly.

Mr. Rabin realized that fundamentalist Hamas, sworn to the elimination of Israel, was a danger both to peace and the peace talks. He arrested 1,600 of its functionaries. The world barely noted. Then he deported more than 400 of them.

But Mr. Rabin somehow neglected to find out that this time Syria-controlled Lebanon would not accept them. So, with its leaders in no-man's-land, Hamas was elevated to TV stardom and world attention.

Now Mr. Rabin scrambles to persuade the deportees to come back, exchanging television time for prison, so that Israel can avoid UN extremists.

Hamas and other Muslim extremist groups threaten most Arab nations. In 1982 Syria slaughtered perhaps 20,000 of its own citizens because fundamentalists killed six policemen. In Algeria they have been jailed en masse without trial. Libya "disappears" them.

No UN meetings have been held on Syrian massacres of fundamentalists, no sanctions threatened for Arab deportations. Yet under Bushbaker the United States went along with a swift UN condemnation of Israel for its deportations.

By equating Israel's temporary deportations with very permanent ethnic massacres in Bosnia, or with Iraq's territorial marauding, the UN members and the secretary-general are committing in a distortion of history, reality and morality.

They can efficiently destroy hope that the United Nations will be effective, decent or trustworthy.

The deportation episode has startled Americans. The reason is that neither the Bush nor Rabin administrations laid out the full reality about the peace talks: Great opportunities exist, but also great risks. Among the risks is that Islamic extremism is determined to use an autonomous Palestine to achieve Israel's destruction. It is a dance with wolves.

The United States will veto a sanctions move. That will increase Arab pressure on the United States and Israel's political debt to Washington. But, here is a straw. The Clinton administration will have the chance to do what Mr. Rabin and Bushbaker did not: Make the world understand the whole story — opportunities, risks, hopes, dangers, all.

The New York Times.

**The Issue Is Bigotry, Not Politics**

By Anthony Lewis

BOSTON — Over the last half-century Americans have come to understand that a civilized society does not mistreat people because of what they are. It is unacceptable to assault someone because he is a Jew, or deny him a job because he is black.

The question now is whether Americans are ready to apply that civilized standard to homosexuals. Are they to be despised and rejected because of what nature gave them? That is the question in the dispute over President Bill Clinton's plan to end discrimination against homosexuals in the armed services. It is the only question. All the rest of the noise around the issue — the talk about service morale and fighting effectiveness, the shuffling on talk shows — is demonstrable humbug, and bigotry.

Colonel Margaret Cammermeyer won the Bronze Star in Vietnam in the army nursing corps. She served 27 years in uniform and was chief nurse in Washington State's National Guard when the Pentagon ordered her discharged last year. Why did it do so? Because she had started on a form that she was a lesbian.

Tracy Thorne, 25, a navy lieutenant, was a navigator-bombardier, first in his flight training class, a member of a jet combat squadron. Last year the navy grounded him. Why? Because he had said on ABC's "Nightline" that he was gay.

Did the firing of Colonel Cammermeyer or Lieutenant Thorne make our armed forces more effective? To the contrary, it removed two persons of proved effectiveness. And it did so at heavy cost. The taxpayers paid \$2.2 million to train Lieutenant Thorne, for example, to operate the dash. Then, in a blink of all the horror stories being told in the organized campaign of letters to Congress: Our men in the forces will not be safe from preying homosexuals, they will be embarrassed in the shower and so on. Did Colonel Cammermeyer or Lieutenant Thorne harass anyone, bother anyone? No. They did nothing except perform superbly for their country. They were punished not for what they did but for what they are.

Or think of the story told last fall by Lucian K. Truscott 3d, a retired army officer (H/T, Nov. 27). He commanded an infantry rifle company in the Korean War, and one of the company's 150 men was thought to be gay. He did one of the toughest jobs, carrying and firing a Browning automatic rifle, and he was killed. Others in the company, including some who had mocked him in life, cried as his body was carried off.

There have always been homosexuals in the armed forces, and there always will be. Mr. Clinton's plans — and the ruling Friday by a federal judge striking down the military's ban — do not change that reality. What they presumably will do is to stop officials from wasting time and money snooping out who may be gay and then discharging soldiers who have done a good job.

The waste of money is considerable. In the last 10 years the Pentagon estimates that it spent nearly \$500 million finding homosexuals, discharging them and replacing them. But the real cost is human.

The Clinton plan does not condone improper sexual conduct. It just stops the witch-hunt for people who are gay. If sexual conduct were the real concern of the critics, they would focus on the clear and present problem. You do not have to be a genius to know what that is: assaults on women in the armed forces.

Some of the critics are military men who are genuinely worried about change — just as the military fiercely resisted President Harry Truman's 1948 order desegregating the forces. But in time the services did a superb job of fighting racial prejudice in their ranks; the best training program in the country. I think they will respond to clear leadership on this issue, too.

The organized opposition — highly organized — is political. It is coming from conservative religious groups and others on the extreme right. The Reverend Louis Sheldon of the Traditional Values Coalition boasts that his group shut down the telephone lines at the Capitol with its many calls. Oliver North is appealing for funds to stop the Clinton plan. Those who are truly religious might understand that God made people as they are.

In Washington, all you can hear is political calculation. Mr. Clinton should have moved slower. He should have moved faster. That is Washington: maneuver, not substance. Politics matters, but it is not the issue here. The issue is bigotry.

The New York Times.

**IN OUR PAGES: 100, 75 AND 50 YEARS AGO**

**1893: Hunters Grumble**

PARIS — The shooting season in France has come to an end, and sportsmen are discussing it. Owing to the pessimistic tendencies peculiar to their class one cannot accept their statement that the amount of game is decreasing, without ascertaining by a glance at some figures that we are not being misled by traditional but groundless grumblings.

**1943: Nazis Interrupted**

LONDON — [From our New York edition:] Timing their blows for maximum psychological effect, the British raided Berlin today (Jan. 30), sending two flights of Mosquito bombers skimming across the capital just as two of the highest Nazi leaders were about to broadcast addresses on the tenth anniversary of the Nazi party's rise to power. Reich Marshal Hermann Goerring, with the heads of the German fighting forces and other officials gathered about him in the ceremonial hall of the German Air Ministry, was ready to go on the air. Listeners in London heard the announcer open the ceremony. Then a few muffled words were heard, as if a man were shouting at a considerable distance from the microphone. Explosions were heard, followed by confused shouting. It was believed that the raid, timed precisely, had driven the Nazi leaders to seek safety in air raid shelters. The program was cut off and martial music substituted.

**1918: Finnish Protest**

STOCKHOLM — The Government of Finland has addressed a protest to all the Powers which recognized Finland's independence, calling attention to Russia's direct collaboration with the criminal German government by sending them arms and munition despite Petrograd's recognition of Finnish independence. All southern Finland is in the hands of the Red Guards, supported by Russian troops. In the north, comparative calm reigns.

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### Dear Mr. President

FLAAG congratulates you on your inauguration and looks forward to an administration that will be concerned with the status of Americans around the globe on an everyday basis, and not just when we come knocking on Washington doors.

Your letter to us in the *International Herald Tribune* of Sept. 26, 1992 offered encouragement on the treatment of issues that are important to us and made a powerful impression overseas. Your pledge in your inaugural address to improve our competitiveness in a global economy will help U.S. citizens at home and abroad. We look forward to your designation of presidential office personnel as special liaisons to the 3.5 million civilians outside the United States.

In writing to us, you faced squarely the problem of the partial exclusion of earned income, one of the tax issues that we

and is there an equitable way to collect it?

You have already demonstrated your willingness to examine and compare the experience of other nations when looking for answers to U.S. domestic problems such as health care. We recommend, President Clinton, that our national tax policy on foreign earned income be subjected to a thorough comparative study, perhaps under the auspices of your liaison personnel for Americans around the globe.

We appreciate the need to reduce the deficit. Therefore, reduction of any existing revenue source may be questioned.



### FEDERATED LEAGUE OF AMERICANS AROUND THE GLOBE

extraordinary administrative burden and usually requires overseas citizens to obtain expensive professional assistance to prepare their returns. The result is little if any positive net revenue for the government.

Second, the traditional approach around the globe is to limit income taxation to residents and non-residents generating income within the host country's borders. While not binding, this principle of international law does indicate the standard for civilized nations and has been almost universally respected.

The possibility of inflicting tax injustice upon overseas citizens is a third principal factor. An American receiving little support from his government can be severely penalized by the accumulation of U.S. and foreign taxes.

A final factor is business competitiveness.

#### Information Needed

There is apparently misinformation in the hands of our fellow citizens and our congressmen. An example of the lack of understanding occurred during the global conference of U.S. citizens held in Paris in 1990. A capable congressman from Detroit expressed his conviction that his local constituents would not understand a total exemption of foreign earned income; indeed, if they learned of today's \$70,000 exclusion, they would feel discriminated against. Neither he nor his constituents consider the taxes paid to foreign governments as relevant.

The U.S. government has not always unfairly taxed its citizens around the globe. Exclusion of overseas income was the original rule, termed "the trader exemption," reflecting an appreciation of the contribution being made to U.S. trade. The first limitations were imposed on the amount of the exclusion in 1952. Since then, we have been subjected to roller-coaster legislative changes whose only common denominator is growing complexity and higher cost of compliance.

This attitude is sometimes reflected in the actions of the Internal Revenue Service. The service, through a well-publicized press release, appears to be saying that there is widespread tax evasion by overseas filers. This is misleading. Many Americans abroad have an obligation to file but no tax is due. The release suggesting evasion distorts the actual picture. The service must make strenuous efforts to

collect what will often be merely minimal or zero tax due. It is debatable whether these efforts are a wise use of IRS resources.

The most difficult part for us to accept, however, is that our country goes to great lengths to make certain that we are taxed in a manner similar to our compatriots at home, but makes no effort to provide us with the governmental services provided to residents. Where is overseas educational assistance? Where is our Medicare? Are we to believe, as many in Washington have repeatedly suggested, that payment of federal income tax is simply the price of maintaining citizenship? The lack of fairness goes to the extreme of reducing the amount of social security benefits payable to citizens overseas for U.S. work when they subse-

quently earn the right to benefits of a foreign nation for unrelated work. For long-term residents these issues are especially telling.

#### Detrimental Effects on U.S. Trade

The present taxation system also damages American business in its efforts to be competitive internationally. Since the burdensome increases in taxation of offshore workers began in 1952, our nation's ability to compete in many world markets has been seriously hampered.

Testimony before Congress has demonstrated the drop-off in certain types of U.S. business abroad, particularly in construction and similar project-type efforts. Our companies begin with the already difficult task of motivating employees

from the world's most comfortable society to live in some of the world's least attractive locations. The extra cost of their employment is increased by U.S. income tax costs.

Since many of these Americans have been transferred for a two- or three-year stay, their employer in the United States will generally fund the cost of U.S. income tax. This creates yet more income, generating more tax, with a snowballing effect. The end result is a significantly increased cost of doing business abroad. Although not a desirable option for American workers, a U.S. company may solve its problem by hiring foreign personnel.

FLAAG represents people, not companies, but we see Americans hurting when overseas employment opportunities fall off and when export sales offices shut down. It seems self-evident that putting our companies operating abroad on a level playing field with foreign companies will help the U.S. economy and all Americans, at home and abroad. The United States must reconsider a tax policy that so impedes its ability to compete in the international business arena.

There is no immediate solution for the entire range of tax issues facing overseas Americans. Today, the unilateral tax credit (granted by the United States regardless of treaty obligations) is a realistic but partial solution.

Without it, many overseas taxpayers would be in an untenable position. But the significance of that credit varies sharply according to the overall tax system of the host country.

The U.S. tax system is not calibrated so as to account effectively and fairly for the economic realities of overseas Americans. For example, the overall tax burden of an American living in the European Community, with its "harmonized" value-added tax of 15 to 20 percent, is much higher than that of his fellow citizens back home, yet he may well face additional U.S. taxation. In addition, the varieties of taxation throughout the world and the differences in standards of living render more difficult any equitable solution without a complete and informed evaluation of the relevant facts.

Mr. President, all these issues must be carefully studied, costed, and presented by an authoritative group. A broad mandate to your study commission will provide the factual basis for meaningful reform of the existing system. After a considered review (in which FLAAG stands ready to help in any way) we can move toward the day when all Americans, regardless of where they reside, are taxed fairly.

Hopefully yours,

The Federated League of Americans Around the Globe

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FLAAG wants to hear from all U.S. citizens, including non-members. Of course, we hope you will become a member of FLAAG to help us represent your interests. It is in strength through numbers that we can become more effective. Please let us hear from you. Send the attached coupon and become a FLAAG member today.

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An open letter to President Bill Clinton on the need for a solution to the problems of taxation of Americans around the globe.

face constantly. We applaud your commitment not to worsen our current position, and we trust that a full review of taxation of income earned abroad can be undertaken.

The prevailing U.S. taxation system applicable to overseas Americans is unfair and reflects an incomplete grasp of the contemporary realities involving these Americans. It shows a lack of comprehension of why we are outside the United States and of the tax burdens we already bear.

The U.S. Treasury published in 1978 and 1989 limited reports on taxation of Americans working overseas, dealing principally with statistical aspects rather than policy. Even though no calculations were made of the cost of collection, the offsetting deductions to corporations for tax-equalization and similar programs, all of which sharply reduce revenues, the reports indicated limited income from overseas. Under Section 114 of the Economic Recovery Act of 1981, another Treasury report is due. We ask, Mr. President, that this effort examine all aspects of this issue. Does the tax really produce a positive revenue stream,

However, we are confident that a thorough economic and tax policy study will demonstrate that the current system of taxation of citizens abroad is unjust, provides small returns, and also is a case of America shooting itself in its economic foot.

**Fiscal Discrimination**  
Overseas Americans have good reason to feel discriminated against by U.S. tax treatment. While the United States, like all other major industrialized countries, taxes resident individuals, the United States stands alone in also levying its income tax on the basis of citizenship. While the constitutional legitimacy of such taxation is well established, its wisdom is not.

Other countries with tax systems comparable to that of the United States and a similar need for revenue have not sought to levy taxes on the earned income of their overseas citizens for at least four major reasons that are applicable to the U.S. situation.

First, the relatively low prospects for exacting significant revenue and the high cost of collection reduce the impact. The complexity of current regulations involves an

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# NYSE

Friday's Closing  
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

12 Month Low High  
12 Month Low High  
12 Month Low High  
12 Month Low High

IBM	110 1/4	108 1/4	105 1/4	102 1/4
Microsoft	48 1/4	47 1/4	46 1/4	45 1/4
Apple	42 1/4	41 1/4	40 1/4	39 1/4
Oracle	38 1/4	37 1/4	36 1/4	35 1/4
Sun	35 1/4	34 1/4	33 1/4	32 1/4
Lucent	32 1/4	31 1/4	30 1/4	29 1/4
Motorola	28 1/4	27 1/4	26 1/4	25 1/4
Intel	25 1/4	24 1/4	23 1/4	22 1/4
Comcast	22 1/4	21 1/4	20 1/4	19 1/4
WorldCom	18 1/4	17 1/4	16 1/4	15 1/4
Verizon	15 1/4	14 1/4	13 1/4	12 1/4
AT&T	12 1/4	11 1/4	10 1/4	9 1/4
Qwest	9 1/4	8 1/4	7 1/4	6 1/4
Sprint	6 1/4	5 1/4	4 1/4	3 1/4
Time Warner	3 1/4	2 1/4	1 1/4	1 1/4
Home Depot	2 1/4	2 1/4	2 1/4	2 1/4
Walmart	2 1/4	2 1/4	2 1/4	2 1/4
Target	2 1/4	2 1/4	2 1/4	2 1/4
Kroger	2 1/4	2 1/4	2 1/4	2 1/4
Costco	2 1/4	2 1/4	2 1/4	2 1/4
Home Depot	2 1/4	2 1/4	2 1/4	2 1/4
Walmart	2 1/4	2 1/4	2 1/4	2 1/4
Target	2 1/4	2 1/4	2 1/4	2 1/4
Kroger	2 1/4	2 1/4	2 1/4	2 1/4
Costco	2 1/4	2 1/4	2 1/4	2 1/4

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Qwest	9 1/4	8 1/4	7 1/4	6 1/4
Sprint	6 1/4	5 1/4	4 1/4	3 1/4
Time Warner	3 1/4	2 1/4	1 1/4	1 1/4
Home Depot	2 1/4	2 1/4	2 1/4	2 1/4
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Costco	2 1/4	2 1/4	2 1/4	2 1/4
Home Depot	2 1/4	2 1/4	2 1/4	2 1/4
Walmart	2 1/4	2 1/4	2 1/4	2 1/4
Target	2 1/4	2 1/4	2 1/4	2 1/4
Kroger	2 1/4	2 1/4	2 1/4	2 1/4
Costco	2 1/4	2 1/4	2 1/4	2 1/4

## JAPAN: Yells 'Foul'

(Continued from page 1)

filing anti-dumping complaints.

The case stems from a complaint filed in the autumn of 1991 in which Japanese ferroalloy companies alleged that China, Norway and South Africa were dumping products into the Japanese market.

Tokyo decided against applying sanctions to Norway and South Africa, because their level of dumping was not found to be hurting the Japanese industry.

But the government found grounds for putting duties on Chinese ferroalloy imports. China's market share rose from 17 percent to 39 percent in the three years through 1991, the government said. During that time, ferroalloy prices fell much further than other prices, and the Japanese industry began suffering losses.

Seven Chinese companies submitted internal business information and were found guilty of dumping. Two were exempted from the duties when they agreed to raise export prices, but imports from the rest will be subject to duty.

China said it regretted the decision and threatened some form of retaliation. Reuters reported from Beijing.

"This decision was made without the consideration of some true and reliable information," a spokesman for the Ministry of Foreign Economic Relations and Trade said in Beijing.

IBM	110 1/4	108 1/4	105 1/4	102 1/4
Microsoft	48 1/4	47 1/4	46 1/4	45 1/4
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Walmart	2 1/4	2 1/4	2 1/4	2 1/4
Target	2 1/4	2 1/4	2 1/4	2 1/4
Kroger	2 1/4	2 1/4	2 1/4	2 1/4
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(Continued on page 11)

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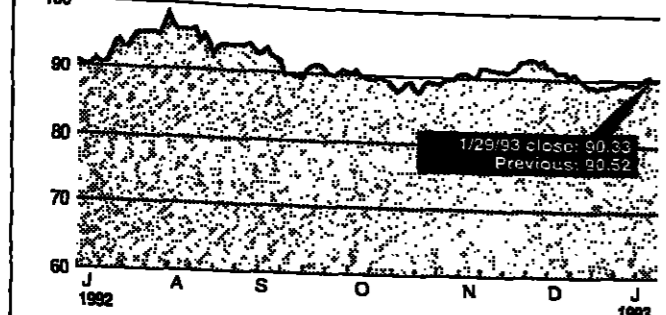
FINANCIALS

International Herald Tribune, Saturday-Sunday, January 30-31, 1993



THE TRIB INDEX: 90.33

International Herald Tribune World Stock Index, composed of 230 internationally investible stocks from 20 countries, compiled by Bloomberg Business News, Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

Table with 3 columns: Asia/Pacific, Europe, N. America. It includes sub-tables for 'Industrial Sectors' and 'World Index' with various stock categories and their performance metrics.

ECONOMIC SCENE

Russia Is Nearing Point At Which Money Is Useless

By Fred Hiatt, Washington Post Service. MOSCOW — The Russian economy, 13 months into one of the riskiest transformations ever attempted, stands at a moment of great promise but also of extreme danger. The promise lies in a privatization program now gathering steam that could irreversibly remake the nation's political and economic map.

Why U.S. Can't Cure Europe's Ills

By Tom Redburn, International Herald Tribune. DAVOS, Switzerland — Despite widespread hopes in Germany and France that an improving U.S. economy should help overcome Europe's recession, the United States alone will not be able to pull Western Europe out of its economic doldrums.

U.S. Factory Orders Boom

By Lawrence Malkin, International Herald Tribune. NEW YORK — Orders for U.S. durable goods, a major sign of an economic recovery that depends on consumers, rose a startling 9.1 percent in December, the government reported Friday.

Dunkel Expects Significant Delay In GATT Pact

By Roger Cohen, New York Times Service. DAVOS, Switzerland — Arthur Dunkel, the man overseeing world trade talks, on Friday ruled out the possibility of a global trade pact before March 2, the deadline for a procedure allowing rapid approval of an accord in the U.S. Congress.

Tokyo Dumping Duties: First of Lots?

By Steven Brull, International Herald Tribune. TOKYO — Japan's decision to impose anti-dumping duties on a Chinese alloy is only the first of what will become an increasingly common tactic as Asian nations push to open Japan as an export market.

Canada Joins the Parade, Imposing Punitive Duties

OTTAWA — Canada said on Friday that six countries had dumped hot-rolled steel sheet on its market at less than fair prices and set immediate punitive duties on them.

For DAF Investors, Mystery Isn't Sweet

AMSTERDAM — In the fog surrounding the Dutch government's plan to rescue the truck maker DAF NV, one thing is clear: The shareholders are losing out.

CURRENCY & INTEREST RATES

Table containing various financial data including Gross Rates, Eurocurrency Deposits, Key Money Rates, and Forward Rates for different currencies and instruments.

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Vertical text on the left margin: 'AN: Yells Food', 'TO OUR READERS IN SWITZERLAND', and other fragments.

MARKET DIARY

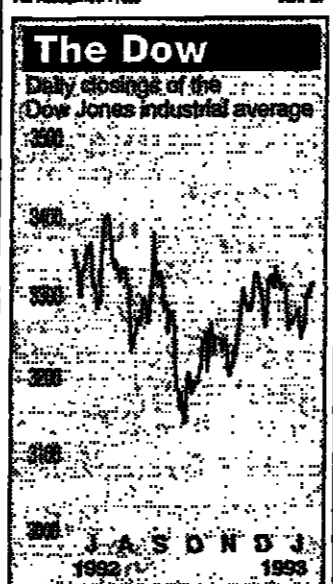
Health Scare Hits Telephone Stocks

NEW YORK — The stock market rose slightly Friday but telephone shares plunged because of a snowballing health scare over cellular phones.

The Dow Jones industrial average inched up 3.78 to close at 3,310.03, finishing the week with a gain of 53.22 points.

Motorola and McCaw were the two most actively traded stocks. Vanguard Cellular went down 1 1/2 to 2 1/2.

Advancing common stocks outpaced declining by a margin of 9 to 7 on the New York Stock Exchange. Trading was active, with more than 245 million shares changing hands on the Big Board.



NYSE Most Active

Table listing the most active stocks on the NYSE, including Motorola, Vanguard Cellular, and others, with columns for volume, high, low, and change.

AMEX Most Active

Table listing the most active stocks on the AMEX, including various technology and financial stocks.

NYSE Diary

Table showing market activity on the NYSE, categorized by sector and stock type, with columns for volume and price changes.

AMEX Diary

Table showing market activity on the AMEX, categorized by sector and stock type.

MASDAQ Diary

Table showing market activity on the NASDAQ, categorized by sector and stock type.

Dow Jones Averages table showing indices for Industrials, Utilities, Finance, and Composite, with columns for Open, High, Low, and Close.

Standard & Poor's Indices table showing various market indices and their performance.

NYSE Indexes table showing performance for Composite, Industrials, Utilities, and Finance.

NASDAQ Indexes table showing performance for Composite, Industrials, Utilities, and Finance.

AMEX Stock Index table showing performance for Composite, Industrials, Utilities, and Finance.

Dow Jones Bond Averages table showing performance for 20 Bonds, 10 Industrials, and 10 Financials.

Market Sales table showing volume and value for NYSE, AMEX, and NASDAQ.

N.Y.S.E. Odd-Lot Trading table showing odd-lot trading statistics for various sectors.

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EUROPEAN FUTURES

Table of European Futures prices for various commodities like Wheat, Soybeans, and Corn.

Table of European Futures prices for Metals like Aluminum, Nickel, and Zinc.

Table of European Futures prices for Stock Indexes like FTSE 100 and Nikkei.

Table of European Futures prices for Spot Commodities like Coffee, Cocoa, and Sugar.

Table of European Futures prices for Dividends for various companies.

Table of European Futures prices for U.S. Futures like Wheat, Soybeans, and Corn.

Table of European Futures prices for U.S. Futures like Metals and Stock Indexes.

Table of European Futures prices for U.S. Futures like Spot Commodities and Dividends.

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U.S. / AT THE CLOSE

Clinton Package Seen Near \$20 Billion

WASHINGTON (Combined Dispatches) — Deputy Treasury Secretary Roger C. Altman confirmed Friday that President Bill Clinton will unveil an economic stimulus package containing \$15 billion in new government spending and perhaps up to \$7 billion in tax relief, including an investment credit and capital gains reduction.

Cray Chief Is Given Commerce Post

WASHINGTON (AP) — President Bill Clinton on Friday nominated John A. Rollwagen, chairman and chief executive of Cray Research Inc., to be deputy secretary of commerce.

Charges Give Xerox a Quarterly Loss

STAMFORD, Connecticut (Bloomberg) — Xerox Corp. said Friday it had recorded a loss of \$736 million in the fourth quarter, the first quarterly loss since early 1990, because of charges related to its planned exit from financial services.

E-I Says Court Rejects Icahn Plan

NEW YORK (Reuters) — E-I Holdings Inc. said Friday that a U.S. bankruptcy court had rejected an attempt by Carl C. Icahn to file an alternative plan in E-I's Chapter 11 bankruptcy case.

Bank of New York Plans Purchase

NEW YORK (AP) — Bank of New York Co. said Friday that it planned to acquire National Community Banks Inc. of West Paterson, New Jersey for an estimated \$590 million in stock, the latest sign of revival in the once-battered East Coast banks.

For the Record

Continental Airlines Holdings Inc. reported Friday a consolidated net loss of \$14 million for the fourth quarter, compared with net income of \$4.4 million a year ago.

ORDERS: Durables Surge 9.1%

(Continued from first finance page) The expansion is sufficient enough to improve income and job prospects ahead, said Edward Yardeni of C.J. Lawrence.

growth has been disappointing and it's going to take a run of strong jobs numbers before a break above 1.65 can be justified.

Foreign Exchange

changed from the preliminary report of 90 percent. The Chicago Purchasing Managers Index inched ahead to 61 from 60.2 in December.

Traders Wrong-Footed

The dollar's bounce left many chartists and other traders throwing out recent forecasts that the dollar would slide to around 1.55 DM, Reuters reports from New York.

SALVATION: Europe Shouldn't Look to America

(Continued from first finance page) modest, investment-led expansion the United States is likely to experience, analysts said.

the importance of trans-Atlantic exports for Western Europe has shrunk substantially. Last year, the approximately \$100 billion in exports from the European Community to the United States represented just 6 percent of all exports from EC nations.

WORLD STOCK MARKETS

Large table of world stock market data, including indices for Amsterdam, Brussels, Frankfurt, London, Milan, Paris, Sao Paulo, Singapore, Stockholm, Toronto, Tokyo, Zurich, and various regional markets.

Table of world stock market data for various countries and regions, including Europe, Asia, and the Americas.

U.S. FUTURES

Table of U.S. futures prices for various commodities like Grains, Metals, Livestock, and Financial instruments.

Table of U.S. futures prices for various commodities like Crude Oil, Stock Indexes, Spot Commodities, and Dividends.

Vertical text on the right edge of the page, including 'Panel', 'Biggest', 'Market', and 'NYSE'.

The Issue Is Bigotry, Not Politics

U.K. Panel Sees Bigger Coal Market

LONDON — Britain's state-owned coal industry should be given hefty subsidies provided it keeps open as many threatened pits as possible, a much-awaited parliamentary report said on Friday.

A Saudi Lifeline for BAe Tornado Order Preserves Defense Business

LONDON — British Aerospace PLC, heading toward one of the biggest losses in British corporate history, has gotten a lifeline with a multi-billion-pound order from Saudi Arabia.

Pöhl Sees Higher Franc If France Allows a Float

International Herald Tribune DAVOS, Switzerland — Karl Otto Pöhl, the former president of the Bundesbank, suggested Friday that France might gain an economic advantage if it allowed the French franc to float against the Deutsche mark.

Investor's Europe. Frankfurt DAX, London FTSE 100 Index, Paris CAC-40. Table with columns for Exchange, Index, Friday Close, Prev. Close, and Change.

- Very briefly: French unemployment rose by 7,400 to 2.98 million in December, the government said, resulting in a jobless rate of 10.5 percent of the work force, unchanged from November.

Mercedes Acts to Speed Model Development

STUTTGART — Mercedes-Benz AG will invest 800 million Deutsche marks (\$504 million) in a center to speed development of new models, the company said Friday.

RISK: Russian Inflation Threat

(Continued from first page) political chaos: by the disintegration of economic ties across the old Soviet Union, by Moscow's inability to collect taxes, by its helplessness to prevent criminals from looting the country of billions of dollars' worth of resources and foreign currency.

Poland to Resume Talks With Banks

WARSAW — Poland opens talks Feb. 11 aimed at restructuring its \$12.1 billion debt to Western commercial banks after an 18-month lapse in payments, the government announced Friday.

COMPANY RESULTS

Table with columns for Company Name, 4th Quarter, 1992, 1991, and 1990. Includes sub-sections for Germany, United States, and various international companies.

NYSE Friday's Closing

Table listing NYSE stock market data including 12 Month High/Low, Div, Yld, P/E, and High/Low/Last/Chg for various companies.

Table listing NYSE High-Lows and ANEX High-Lows for various companies, including columns for company name, high, low, and last price.

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The Issue Is Bigotry, Not Politics

New Merger In Japan's Paper Sector

Compiled by Our Staff From Dispatches TOKYO — Oji Paper Co., Japan's largest paper producer, will merge with mid-sized Kanazaki Paper Manufacturing Co. to create a company with annual sales of 815 billion yen (\$6.5 billion), the companies announced Friday.

Oji Paper's president, Kazuo Chiba, will become president of the new company while Kanazaki Paper's president, Toshitoku Kawamura, will become its chairman, the two men said at a news conference. The merger will take place in October. The companies said they would merge on an equal basis, although Kanazaki will be dissolved. Five shares of Oji will be exchanged for every six of Kanazaki.

The merger will create the second-largest paper maker in Japan, next to Nippon Paper Industries Corp., which will be created in April by a merger of Sanyo-Kokusaku Pulp Co. and Jujo Paper Co. Nippon Paper expects to control a 17 percent share of the market, while the Oji-Kanazaki combination will have 12.3 percent.

Company officials said they expected the Oji-Kanazaki merger to create a company with annual pre-tax profit of about 17.5 billion yen.

The recent mergers have been prompted by the slump in Japan's paper industry, Japanese paper companies, which expanded aggressively in the late 1980s, are suffering from falling sales and rising depreciation costs.

"The current state of the paper industry is just as you hear," Kanazaki's Mr. Kawamura said. "We decided that the merger will make the two companies more stable and better able to serve customers."

A statement said the two companies have different types of products and the new company will be able to supply a wide range of paper products. (Bloomberg, Reuters)

Japan's Inflation Rate Eases

Compiled by Our Staff From Dispatches TOKYO — Japanese consumer prices rose at the slowest pace in four years in 1992, the government said Friday, giving policymakers ample room to spur economic growth.

The government's Management and Coordination Agency announced that the nationwide consumer price index rose 1.6 percent in the calendar year — the first time since 1988 that it had grown less than 2 percent.

The figures leave Japan with the lowest consumer inflation among major nations. Economists say the numbers signal that the Bank of Japan should do more to lift the nation out of a two-year slowdown.

Geoffrey Barker, economist at Baring Securities (Japan) Ltd., said the bank would not have "a leg to stand on" if it refused to lower rates. "There is no reason for it not to move," Mr. Barker added.

By comparison, consumer prices are growing at a 2.9 percent pace in the United States and 2.6 percent in Britain.

The agency also released data for Tokyo for January showing a 1 percent rise in the consumer price index from a year earlier and no change from December. Tokyo data are released one month ahead of nationwide data and are thought to presage general price trends.

Slow consumer spending caused by the prolonged economic downturn here was the major factor behind the low inflation figures, but prices were also kept down by better weather and favorable commodity price trends.

Sanyo Slumps To a Net Loss

Agence France-Press TOKYO — Sanyo Electric Co. said Friday it had suffered a group net loss of 1.3 billion yen (\$10 million) in the year ended Nov. 30.

Sanyo blamed a decline in capital investment and domestic consumption in Japan and a slow economic recovery in the United States and Europe.

The loss reversed a net profit of 16.8 billion yen a year earlier.

Group sales dropped 3.2 percent from a year earlier, to 1.54 trillion yen.

For the current year, Sanyo expects a group net profit of 3.5 billion yen on slightly improved sales of 1.57 trillion yen.

Distressed Shuwa Bails Out of Retailer

Compiled by Our Staff From Dispatches TOKYO — The financially troubled real estate developer Shuwa Co. has sold its 17 percent stake in the department store chain Matsuzakaya Co. at a distress price of 24.08 billion yen (\$193.9 million), it was announced Friday.

Analysts said the move was the latest sign that a collapse in Japanese real estate values over the past three years had forced the privately held Shuwa to abandon plans to build a retail empire.

The buyer of the 26.464 million shares is a consortium of 24 companies, most of which are life insurers, casualty insurers and banks. Matsuzakaya declined to mention the investors' names.

Matsuzakaya's president, Kiko Saito, told reporters that the share sale was made at an appropriate price, 910 yen a share. But that is 3.3 percent below the 1,050 yen level at which Matsuzakaya's stock closed Friday. Friday's price itself was down 60 yen from Thursday's.

Shuwa offered the shares in early January and the parties have been negotiating since then, a Matsuzakaya spokesman said.

Investor's Asia

Table with columns for Hong Kong Hang Seng, Singapore Straits Times, Tokyo Nikkei 225. Includes line graphs and a table of market indices with values and changes.

Sources: Reuters, AFP International Herald Tribune

Very briefly:

- Asset Airlines, the domestic Australian carrier, has been granted permission by the country's International Air Services Commission to begin flights to Jakarta and Bali.
Remison Goldfields Consolidated Ltd. will spend about 53 million Australian dollars (\$36 million) to develop a small high-grade gold mine in Tasmania in partnership with Little River Goldfields NL.
Taiwan, under pressure from the United States, will open its container trucking industry to foreign companies by the end of 1995.
Eight Japanese carmakers, including the five market leaders, have forecast aggregate domestic sales of vehicles at 6.87 million vehicles in calendar 1993, up 5.1 percent from 1992; their forecasts are for exports of 5.28 million vehicles, down 0.7 percent.
San Miguel Brewery, the Hong Kong brewer controlled by San Miguel Corp. of the Philippines, said net profit fell 42.3 percent to 52.5 million Hong Kong dollars (\$6.7 million) in calendar 1992.
The Hong Kong government has once again delayed, until March 8, a decision to award a reclamation contract that is a key part of the territory's controversial new airport project.

Strike at Cathay Crumbles

Reuters HONG KONG — A two-week strike by Cathay Pacific cabin crew collapsed late on Friday as the last few hundred holdouts agreed to join thousands of colleagues who already had returned to work at the airline, union officials said.

David Ngan, chairman of the Flight Attendants' Union, told members at an evening rally that he would notify the airline of the remaining strikers' intention to end the walkout.

His action came soon after a panel of the Legislative Council, Hong Kong's legislature, endorsed a resolution calling on Governor Chris Patten to appoint an arbitrator or board of inquiry to end the dispute. The panel provided a face-saving way for holdouts to return to work despite the impasse.

Nippon Steel to Pay 36 Billion Yen for NMB

Compiled by Our Staff From Dispatches TOKYO — Nippon Steel Corp. said Friday that it had agreed to buy 36 percent of Minebea Co.'s troubled semiconductor-making subsidiary for 35.5 billion yen (\$290 million).

The world's biggest steelmaker said it expected to expand the original-equipment-manufacturer business soon and that consumer prices for the subsidiary, NMB Semiconductor Co., which now accounts for only 10 percent of NMB's annual revenue of 19 billion yen.

Nippon Steel officials said they hoped the purchase would not affect agreements under which NMB furnishes chips to Intel Corp., Sony Corp. and Hitachi Ltd. Nippon Steel will pay Minebea, the world's largest bearing maker, 5.5 billion yen for the NMB stake.

Nippon Steel will also assume 30 billion yen of debt. Minebea said it expected to suffer a net loss of 32 billion yen in the year to March, mainly reflecting write-offs on the sale.

Under the agreement, Minebea will be given worldwide distribution rights for dynamic random-access memory chips made by NMB, which will change its name to Nippon Steel Semiconductor Corp.

Industry analysts have warned that Nippon Steel will have to inject additional funds into the semiconductor unit, possibly as much as 25 billion yen. NMB's sales have plunged since 1989 and in the year to Sept. 30, 1992, it reported a pretax loss of more than 12.4 billion yen. (AFP, AFX, Bloomberg)

Large table titled 'INTERNATIONAL FUNDS' with columns for fund names, currencies, and values. Includes sub-sections for 'Other Funds' and 'INTERNATIONAL FUNDS'.

# MONEY

**FIRST COLUMN**

## Forecasting: Science vs. Seaweed

**I**F YOU had to forecast the weather, would you rely on a high-definition, computer-enhanced satellite picture, or a smelly old piece of seaweed? In most cases the sophisticated modern technology would provide a better guide as to what to wear over the weekend. But — pleasingly enough — the old rustic with his piece of weed sometimes makes a better meteorological call than the supposed experts. This week, readers are offered the rhetorical equivalent of a rancid piece of financial alga, just to find out if it smells.

The theory of the perfect market is our satellite picture. This pseudo-scientific approach to market analysis has it that only relevant financial information is taken into account when markets price shares. Thus, a company's results (or expected results) are relevant in finding the correct price of a stock, but not the color of the chairman's necktie.

But academic research, notably from Princeton, has found some worrying holes in the idea that only financially relevant information is taken into account in market pricing. Apparently, market indexes tend to overshoot closing levels on days ending with two zeros. Markets fight shy of, say, a 1600 closing price, and then leap over it. This is evidence favoring an inductive argument that there really is such a thing as a psychological barrier for a market (unless you argue the untenable line that the number at which an index finishes has some direct financial relevance to the stock price of a constituent company).

Seasonality, like the psychological barrier, is a piece of unscientific seaweed that keeps making its presence felt. Readers may have seen articles in this section on the "January Effect" and the British axiom that investors should sell in May and go away.

Research from the U.K. investment firm Provident Capital shows that over the years from 1986 to the present, investing just for the first quarter of the year would have seen average capital gains of 10 percent in the United States, Britain and Latin America. But investing in the last quarter would have brought average losses of 4, 4 and 11 percent respectively. As yet, no one has even tried to explain why buying early in the year has proved better.

M.B.

# Funds: It's Good to Know Who's Minding the Store

By Judith Rehak

**T**HE manager of your top-performing mutual fund has just decamped to a competitor. Should you sell your shares? Or, your fund's share price has been headed south ever since you invested in it. Should you hang on, in hopes that the manager will get the boot and performance will improve?

The answer could be "yes" to both questions, according to a study just out from CDA/Wiesenberg, a U.S. fund data group. The survey, which covered 40 diverse equity funds, showed that returns from poor performers leaped from 69 percent below average to 27 percent above the norm in the five years after a new manager came on board. Top-performing funds fumbled after their managers departed, slipping to 10 percent below average in the same period.

But financial advisers and analysts say you have to look beyond the statistics. "It may be true in the aggregate, but it could be dangerous if used improperly," said Lori Lucas, an analyst with Morningstar, a mutual fund data group. "You shouldn't sell a fund just because X replaces Y," said Burton Berry, a San Francisco adviser who selects funds for his clients.

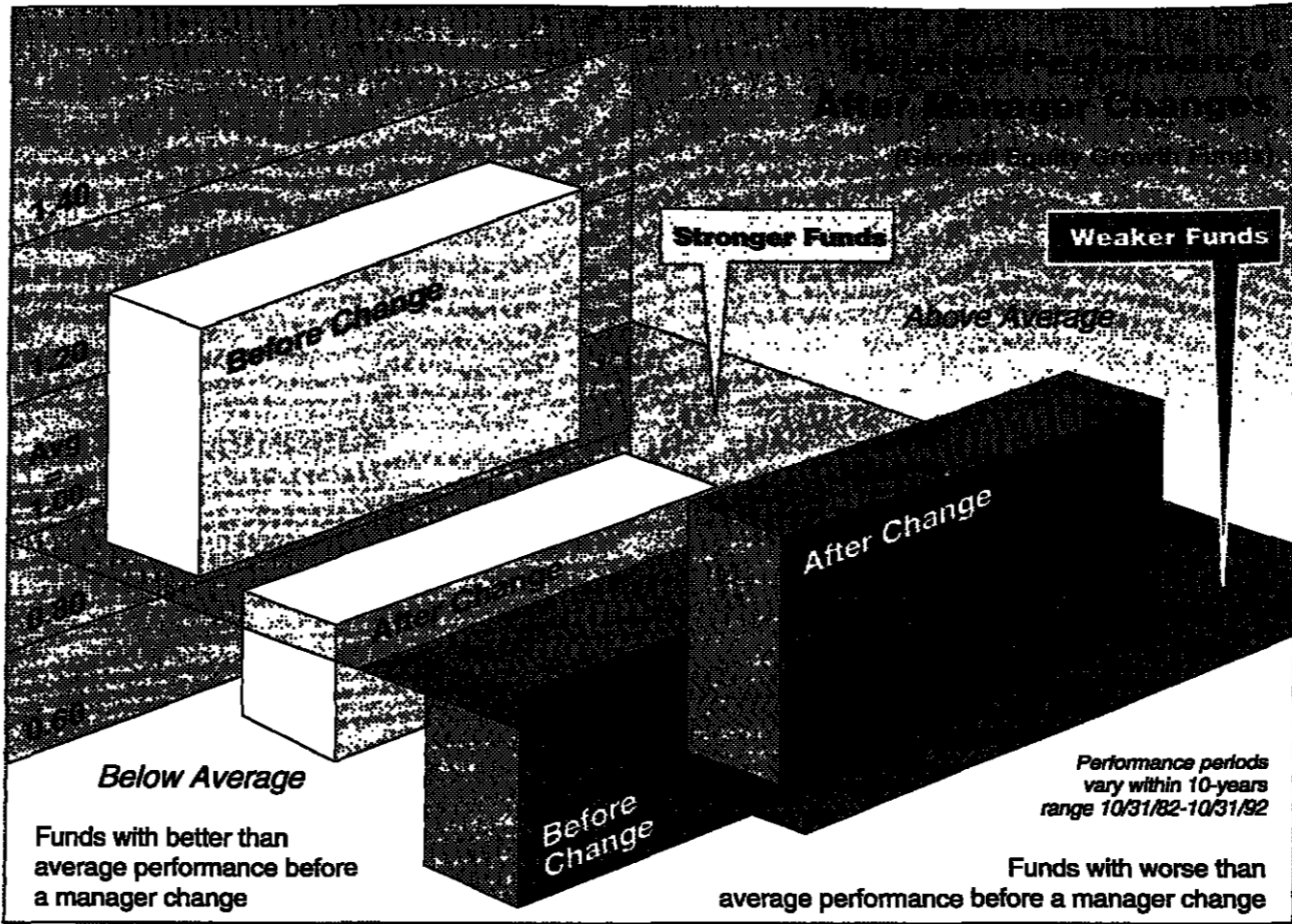
Here are some of the issues that can impact your fund's performance, no matter who is in charge.

**Investing styles**  
Most funds are committed to an investing style. For example, value investors seek out companies with underpriced and unrecognized assets while growth investors focus on firms with prospects for rapid earnings growth.

"In certain periods, value will do better than growth, or perhaps international equities will be hot," said Mr. Berry. "Market leadership is revolving continuously, and that's more important than the manager." For example, after sub-par performance for nearly seven years, small company funds are now leading the pack, rising 15.96 percent in the last quarter of 1992, compared with a meager 5.02 percent for the S&P 500 index, made up of big blue-chip companies.

**Sector funds**  
The boom-bust performances of funds that specialize in one industry can leave the most astute manager with nowhere to turn if a sector turns sour. Fidelity's Select Biotechnology fund soared 99 percent in 1991. But the fund plummeted 22 percent last year, and its manager, Michael Gordon, moved on to another Fidelity fund. Had he lost his touch? Hardly. "All biotech funds did well to the end of 1991, then they went to hell in January of '92," said Mr. Berry.

Although the Wiesenberg study did not



Source: CDA/Wiesenberg

International Herald Tribune

include sector funds, they show what can happen to the performance of a diversified fund if a manager places a big bet on a certain industry. For example, any manager who took a stake in heavily depressed bank stocks a year or two ago is looking stellar right now, as U.S. economic recovery picks up steam.

**Investing guidelines**  
Is your manager hemmed in by parameters that hurt the fund's performance? One frustrated manager of a poorly performing foreign fund was required to keep a stake in Japan, even though he was negative on the Tokyo stock market. He finally left the management company to start his own fund, where he has turned in a solid track record.

**Company culture**  
The most frequently cited fund that con-

tinues to perform well despite manager changes is Fidelity's giant \$22 billion Magellan fund, now on its second manager since the departure of star manager Peter Lynch more than two years ago. Its success is attributed to the Fidelity culture, which sometimes appears to be playing musical chairs with its fund managers, switching them frequently among its 145 funds.

"Changes are much less significant than at other funds because they have a pool of exceptionally bright managers, with a workaholic culture, plus considerable interaction among managers and analysts," said Eric Kobren, editor of Fidelity Insight, a newsletter devoted to Fidelity funds. If anything, Magellan's performance is more likely to be affected by the difficulties

of managing its sheer size. Some industry observers believe that Fidelity will eventually have to split the fund in two.

**Management by committee**  
Some groups have multi-managers for their funds. For example, the Twentieth Century and American Funds groups, two successful money managers, use two or three persons to run a fund, so that if one leaves, the investing style remains intact.

But what about the far more difficult decision to stick with a money-losing fund? To be sure, there are some classic turn-around stories: The Kaufmann fund, a small company vehicle, had a "checked" past, said Ms. Lucas of Morningstar, before two new managers took the helm five years ago. Today it is the No. 1 U.S. equity fund, up 355 percent for the past five years.

**D**ONALD Yackman took the undistinguished Selected American Shares fund, changed its investing style, and produced a 16.6 percent annual gain over the past nine years, compared to 14.7 percent for the S&P 500. But after a falling-out with management last year, he started his own fund. His followers voted with their feet, bailing out of Selected American, and providing a hefty chunk of the Yackman fund's \$81.5 million in assets.

One thing that the Wiesenberg study definitely reaffirms is that you should keep tabs on who's minding the store at your fund.

This is not as easy as it sounds, since fund companies are not obliged to reveal the names of their managers, much less the departure of a star. (Only closed-end funds, a tiny part of the fund universe, are now required to make names available.)

"It's up to investors to do their homework," said Steve Savage, the editor who supervised the Wiesenberg survey. "You can buy Barron's [a financial weekly that carries a quarterly fund report with the names of managers], or call up your fund company and ask them about the manager and his style. Is it a clear-cut case of a star manager, or was he just a cog in the wheel? If you're comfortable with the way they run the fund, then stay with it."

## How to Take the Measure of the Managers

International Herald Tribune

**S**OME analysts argue that being good isn't enough. What really counts is that a fund be consistently good. And just to complicate matters, the word "good" in this context is relative — it means being better than other fund managers operating in the same investment sector.

Chris Poll, chairman of the financial analysis and global fund monitoring group Microcap, says that performance figures alone are not enough to say how good a manager may be.

"What counts is a fund's performance in the context of the sector as a whole. Is the sector in or out of favor? Looking at the sector against a broad base of funds is not

necessarily a good guide to an investment manager's ability."

Microcap measured the performances of three funds — Fidelity Select Biotechnology, Magellan and the Kaufmann fund — against the average performance of U.S. equity funds with an aggressive growth strategy. The results are illuminating.

The Magellan Fund did not just continue to rise in price after the departure of manager Peter Lynch. It also continued to outperform the average aggressively oriented growth fund manager — up to a point. Toward the end of the first quarter of last year the fund began to underperform the average.

"The manager has changed more than once since Mr. Lynch's departure, and at first that didn't make a difference. Later on it did," says Mr. Poll.

The case of the Kaufmann fund is a prime example of why performance alone is not enough, according to Mr. Poll. The fund underperformed the average sector performance by around 30 percent in 1987. The latest figures show the Kaufmann fund some 30 percent better than the mean.

But Microcap's analysis focuses on the change of manager in 1988: "Since the new man's been in, the fund is 60 percent better than the average — although there have also been periods of underperformance."

The Fidelity Biotechnology fund's performance is attributed by Microcap more to the inherent volatility of the sector than a management change. The fund was a big winner, and lost its gains when the sector turned sour.

## The Clinton presidency

### Trade disputes on the boil

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Netherlands Fl.	710	360	216
Norway N.Kr.	3,300	1,800	990
Portugal Esc.	45,000	25,000	13,750
Spain Ptas.	45,000	25,000	13,750
hand deliver Madrid Ptas.	55,000	27,500	13,750
Sweden (barn) S.Kr.	2,300	1,200	660
hand delivery S.Kr.	2,300	1,200	660
Switzerland S.Fr.	590	330	180
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## 'Multiple Currency' Warrants on Amex

International Herald Tribune

**T**HE latest dollar play was launched on the markets this past week as the American Stock Exchange (Amex) announced the opening of trade in multiple currency warrants.

Investors may find the term "multiple currency" confusing. In fact, the warrant offers a play against the composite strength of three major currencies in action on the foreign exchanges.

The warrants are priced according to the strength of the dollar against the Japanese yen, the Ger-

man mark and the British pound — all of which are traded by the billion each day on the world's markets.

The day-to-day movements of the currencies against one another is measured in an equally weighted index of major currencies, against which the dollar warrant will be priced.

The new contract is seen as offering a speculative play for those who want to take a position on the dollar, or as a tool for hedging portfolios invested in international shares.

"Fluctuations in exchange rates are of vital importance to today's

worldwide equity markets," said the Amex chairman, James R. Jones. "With the strengthening of the U.S. economy, there is no better time to bring multiple currency warrants to fruition than the present. Investors now have another outlet to participate in the appreciation of the U.S. dollar."

The warrants have an effect similar to call options — they confer the right to buy the underlying security (in this case the dollar) at a certain price, and will increase sharply in price if the dollar's value

climbs. Investors have the choice of buying and selling the warrants themselves (this route will be favored by those who treat the instrument as a speculative play) or actually setting in cash and requiring delivery of the dollars at the specified price. The latter route will normally be favored by investors with portfolios of non-U.S. securities to protect.

The warrants expire in January 1996. The U.S. securities house Praine Weber Group Inc. has made the issue. Trade on 22,000 warrants, underwritten jointly by Praine Weber and Nomura Securities International, began last week.

## BRIEFCASE

### S&P Depository Receipts Start Trading on Amex

Trading began Friday on an interesting indexed concoction called an SPDR, also known colloquially as a Spider. Listed on the American Stock Exchange, it is a hybrid of a closed-end fund and an open-end mutual fund, and a little like a stock, too.

Standard & Poor's Depository Receipts are shares in a unit investment trust that holds a batch of stocks that make up the S&P 500 index. The receipts are offered in bite-sized chunks equal to about one-tenth the value of the underlying index. The S&P is around 440 now, so SPDRs would be priced around \$44.

Most unit investment trusts have a limited number of shares, meaning they can trade above or below net asset value, not desirable in an indexed product. SPDRs get around this by having an elastic float, explained Steven Bloom, vice president for new product development at the Amex. The trustee, in consultation with the specialist who controls trading on the exchange floor, can issue or redeem shares each day.

Another interesting feature is that the minimum tick size and spread between the bid and offer prices is a razor-thin one-thirty-second of a point, Mr. Bloom said, and the fund's expense ratio is expected to be no more than 0.20 percent of assets per year.

When SPDRs start getting expensive is when the brokerage commissions are tacked on, coming and going. Most index mutual funds have a nominal charge of maybe \$10 a year to get into and keep fund shares.

True, Mr. Bloom concedes, but SPDRs can be bought on margin and sold short, two

advantages over open-end funds. Also, he said, they can be traded intra-day and not just at the closing net asset value, so a shareholder, at least theoretically, can get in or out at a better price. In practice, however, it is unlikely that a trader with ordinary human analytical skills can time an intra-day entry or exit point accurately enough to make back the one or two percentage points paid out in commissions.

### Offshore Insurance Group Offers a 'Bond' Life Policy

J. Rothschild International Assurance, a newly launched offshore subsidiary of the British insurance group J. Rothschild Assurance Holdings, has a new investment on offer. Investors willing to write a check for £5,000 (or the equivalent in any major currency) can choose between funds denominated in dollars, sterling or German marks. Investors can choose between a range of risk profiles in managed funds in each currency, or opt for an index-tracking vehicle.

Although the product is called a "bond" it is nothing like a U.S. Treasury or a corporate bond. Investors buy a life insurance policy, which then commits the proceeds to the chosen funds. The life cover is little more than legal fiction for what is really an investment product: If investors die, their cover is just 101 percent of the value of the funds.

The industry claims that life cover helps investors switch between funds. Maybe, but watch out for charges. In this case, the insurance company takes 1.5 percent annually, and the fund managers take a total of 2 percent annually. There is an establishment charge for the first five years of 0.75 annual-

ly, repayable over the next five years. The charge is made "in respect of the value of the bond representing your initial investment" — this is not the same thing as a percentage of your initial investment.

The fund is registered in Dublin, with attendant tax benefits.

For more information, call J. Rothschild International in Dublin (353 1) 761122.

### Booklet Test Draws Portrait Of the Small Entrepreneur

Budding small-business owners who want to know if they've got what it takes to make a go of it (besides the usual keys to success like connections and wads of money) can send away for a booklet from the Northwestern Mutual Life Insurance Co. called "What's Your E.Q.?" or Entrepreneurial Quotient.

The booklet contains a quiz in which readers answer questions designed to explore facets of their personality that Northwestern Mutual's researchers correlate with success or failure in running a small business. The insurer has many policyholders who own small businesses.

Curiously enough, many of the traits that seem to make a good entrepreneur also fit the stereotype of a good serial killer: preferring clubs, mediocre grades. Others run more in line with the standard small-business owner's profile: adventuresome, willing to borrow money and work long hours, a from lemonade stands on up.

The booklet costs \$3 to cover expenses and is available from: Northwestern Mutual Life Insurance Co., PO Box 1913, Milwaukee, WI 53202.

UP 31 150

THE MONEY REPORT

'Demerging' to Avoid Demise...

By Rupert Bruce

WHAT do you do with an ailing institution? The world's corporate giants, somewhat like the British monarchy, have spent the last year or so trying and failing to find an answer to that question. The financial fortunes of both IBM Corp., the American computer multinational, and ICI, the British chemicals concern, have deteriorated as their industries have entered a period of rapid change. But, while the British queen's problems have been made worse by separation and divorce, for IBM and ICI the answer may lie in "demerging."

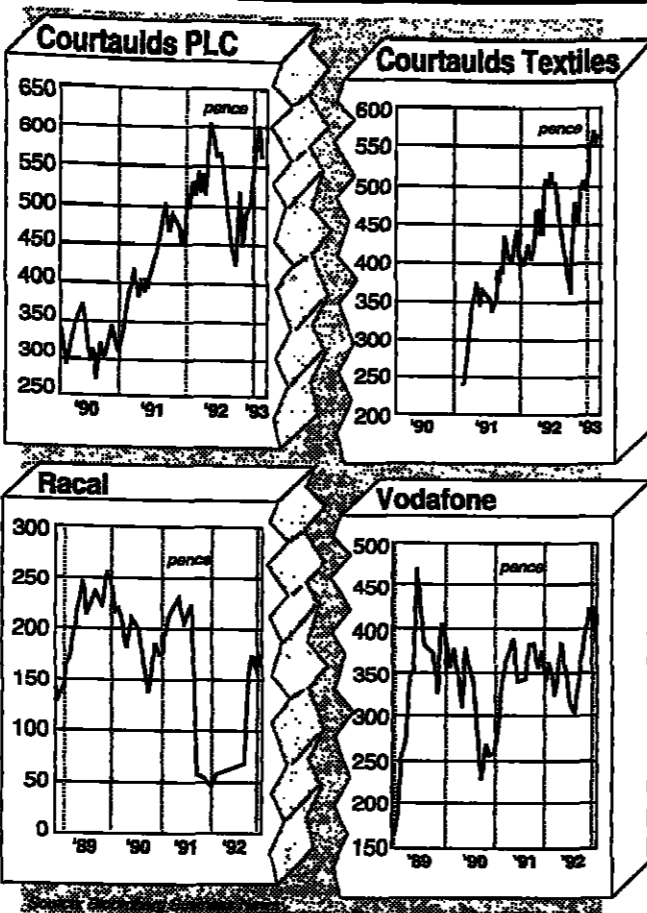
Demerging, a misleading term because it implies there was a merger in the first place, is banker's jargon for splitting a company into two or more of its constituent businesses. The offspring that emerge each have their own board of directors and, if they are quoted on a stock exchange, have separate listings. The purpose of demerging is to revive a company's flagging commercial fortunes, or simply to lift its share price.

Courtaulds, a British chemicals and textiles company that demerged in March 1990, did so primarily because its management felt it was running two businesses set on divergent paths. One, which retained the name Courtaulds, was an international chemicals company, and the other, which became Courtaulds Textiles, was largely U.K.-based. Demerging would leave both businesses free to concentrate on their own problems and opportunities without distraction from the other.

RACAL, a British electronics business that has undergone a series of demergers since October 1988, has done so purely to increase shareholder value. Partly as a defense against hostile takeover, Racal floated off first Vodafone, its mobile phone business, and then Chubb Security.

This is known as the "sum of the parts is worth more than the whole" argument. It contends that if a company has a range of different businesses, the stock market will value it according to the earnings potential of the least profitable. But, if you split the businesses up, then the more profitable get appropriately high ratings and the aggregate value of shares increases.

Parting Companies



and Racal, the demergers seem to have been a success. A shareholder in either of these companies who accepted the demerger terms and kept the new shares would be sitting on a handsome profit and have outperformed the U.K. stock market.

If ICI or IBM Corp. were to choose demerger as a panacea for their corporate ills, then their motives would be similar to Courtaulds' and lie in a desire to improve the performance of their businesses.

ICI's chairman, Sir Denis Henderson, announced last July that the company was considering proposals to split itself into two separate public companies. One, called ICI, would comprise the paints, materials, industrial chemicals, explosives and surfactants businesses. The other, to be called Zeneca, would comprise the pharmaceuticals, agrochemicals, seeds and specialty chemicals businesses.

At the time, Sir Denis said: "I believe the grouping of core businesses now being contemplated by the ICI board would enable each company, post-separation, to respond better to economic circumstances and to the major changes facing the chemical and pharmaceutical industries. Even more importantly, the skills, energy and determination of their employees would be more effectively deployed to capture the considerable global opportunities which will develop as the 21st century approaches. Shareholders, employees and customers would all benefit from the proposed new structure."

Parting Companies

gest corporate deficit ever, some analysts believe it is just a matter of time. David Wu, a research analyst at SG Warburg in New York, said: "The company has hinted this is a possibility. In 1994/1995, we will see a number of actions taken by the company."

Mr. Wu believes that the discursive business, the personal computer business, and the high-end printer business will be spun out. IBM is already well down the road to demerger. In December 1991, it announced a restructuring that has created what IBM likes to call "a federation of 13 companies."

Whether any demerger at ICI or IBM will, in fact, refocus the collective corporate minds and have a beneficial effect on shareholders' investments is difficult to predict.

Andrew Benson, a research analyst at the brokerage house Barclays de Zoete Wedd, said: "I do not think demerger in itself is an answer because any company can pursue strategies that can achieve the same sort of profit growth. In ICI's case, the goal is to become two distinct businesses that would grow differently to the growth that is likely to be achieved under the ICI culture."

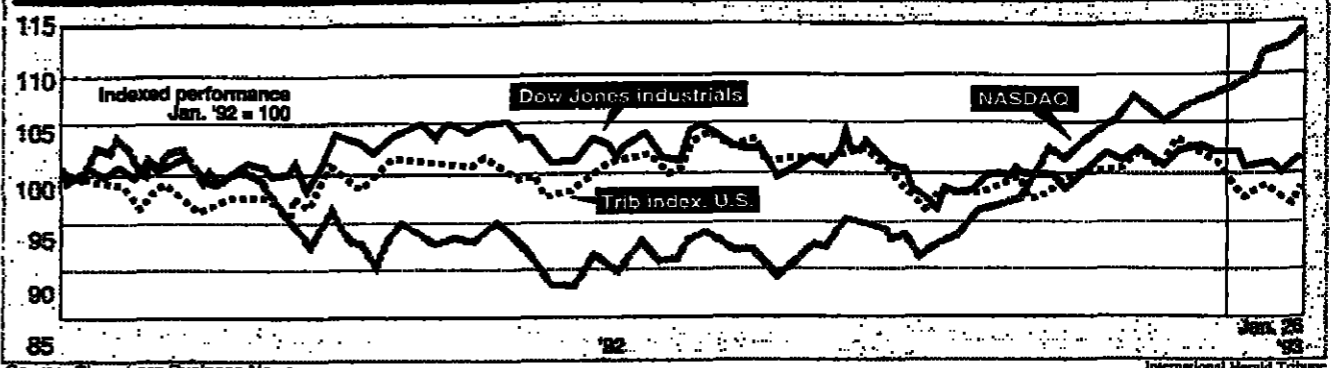
"I certainly think that it makes good strategic sense and I am finding the arguments as they evolve increasingly compelling."

Mr. Benson also thinks that ICI shareholders should benefit from the effect of Zeneca entering the highly priced pharmaceuticals sector. Other analysts, however, are concerned that the demerger might be accompanied by a cut in the total dividend pay out, which would depress the shares.

As for IBM, Mr. Wu said: "The benefits for shareholders are that demerger will result in divisions being focused on their core businesses. That is a powerful way of making divisions efficient. In the old days mainframe made so much money that you could hide behind the mainframe earnings. These days there is no longer that shield."

The decline of IBM, he says, is like that of the British Empire. "All businesses or empires sometimes get to a size where they no longer succeed and when they go down, overloads have to be addressed. In the case of IBM, it is corporate headquarters staff, in the case of Britain, I guess, the queen has to pay taxes."

How NASDAQ Stocks Pulled Ahead



Source: Bloomberg Business News

...And the Beauty of Being Small

By Conrad de Aenlle

LAST year wasn't one for making big money in big American stocks. The averages that represent larger companies spent most of 1992 deciding where to go and in the end hardly budged. Many of those that did move, like IBM, moved the wrong way.

A better place to be was in smaller issues traded over the counter. The Nasdaq composite index of OTC stocks showed a healthy rise of nearly 15 percent for the year and last week peaked through 700 for the first time, before falling back late this week.

By contrast, the blue-chip Dow Jones industrial average eked out a 4 percent gain, and the American component of the Trib index came out a 2.24 percent loser for the year. One factor accounting for the underperformance of Trib USA is its heavy weighting of drug companies, which make up four of the 20 components. All four lost ground last year, two by 20 percent.

The small-cap rally has gotten a lot of coverage because of the so-called "January Effect": the tendency for small stocks to outperform at this time of the year. Indeed, the January Effect is one of the few forecasting perennials that has held up after the public has had enough time to digest it and try to take advantage of it.

The updraft that carried the Nasdaq composite to new highs this January was actually the culmination of a two-year advance. John Ballen, manager of the MFS Lifetime Emerging Growth Fund, credits several factors with propelling the long bull market.

Price-to-earnings ratios are running about 20 percent higher for OTC stocks than big-caps, he noted. That's near the bottom of the range, which runs from no premium at all, which was the case when the move started at the end of 1990, to about double the P/E ratios of big-caps. The higher valuations are justified by the stronger earnings growth routinely shown by smaller companies, he added.

Mr. Ballen said prices have been pushed higher, as well, by a belief that the U.S. economy is finally rebounding, something the market deems especially helpful for smaller businesses, and by the favorable competitive environment in which many smaller companies find themselves.

Small-cap stock prices tend to rise and fall in waves that last several years, he noted. They outperformed big-caps for six years until 1983, then the high valuations brought in a lot of money to small companies through initial public offerings (IPOs), competition got tight and a lot of them went out of business or at least saw their earnings fall, and their share prices went with them for a few years.

The competition outlook remains favorable except in the biotech sector, he said, pointing out that "there have been a lot of IPOs the last couple of years, and they can't all be successful."

Analysts say the small-caps have gotten a boost from an unlikely source: President Bill Clinton. Richard Freeman, who manages \$500 million in small-cap, aggressive-growth funds for Shearson Asset Management, explains the Clinton Factor this way: "Psychologically, moving to a younger administration, one that has been very vocal in how we have to stress science, fiber optics, networking and keeping our dominance in technology, has helped P/E multiples in the group."

Eventually, though, reality has to set in. That will take the form either of higher earnings or lower share prices, he said. "In the final analysis, if the companies that have done very well in the stock market disappoint with earnings, clearly the stocks will suffer. Hype gets you so far, but you must have earnings momentum to sustain price movements."

Perhaps because of the Clinton connection, the small-cap rally is pretty much an American phenomenon.

"I don't think we're seeing the same surge yet in European small-caps as we are in the States," said Richard Davidson, European equity strategist for Morgan Stanley. "The exceptions are Switzerland and the U.K." Britain's pullout from the European exchange rate mechanism has been the catalyst.

"That has led to hopes of economic recovery," he said. "These stocks are domestically oriented; bigger companies are international," and so would receive less of a benefit from the lower interest rates that accompanied the ERM pullout and the more robust economy in Britain that may follow.

As is the case with just about every other bit of data that can be extracted from the stock market's performance, forecasters offer varying

interpretations of the blossoming in OTC stocks that have contradictory implications for the course of the general market.

Their strong showing, compared with big-cap averages, is good, some say, because it reflects a broad base of support for the market, not just a dwindling supply of money chasing the bluest chips.

Vast sums certainly are pouring into small-company stocks, to the point where Nasdaq volume often exceeds New York Stock Exchange volume. Much of that buying comes from small-company growth funds, whose assets have nearly quadrupled since 1987, from less than \$8 billion to more than \$29 billion, according to Lipper Analytical Services.

Capital from these funds has helped some small-caps to grow into blue chips. Mr. Freeman noted that Microsoft, a Nasdaq stalwart, now has a bigger market capitalization than International Business Machines. It and other Nasdaq stars like Amgen, MCI Communications and Intel have been the prime movers driving the index to new highs.

All this makes the more somber market observers nervous. They see the boundless affection for small stocks as a sign of the kind of rampant speculation often seen at market tops. A fax sent Thursday to subscribers of the Elliott Wave Theorist newsletter said that the Nasdaq surge past 700 brought it up to a resistance line dating back 20 years, and that the index will turn down from it, as in six other instances.

Such warnings aside, the prevailing outlook for small-caps is positive. Mr. Davidson thinks continental Europe will begin warning to them, only not right away: "I think there will be a fairly strong catchup effect sometime, maybe not this year but in '94 or '95. These stocks do catch up with blue chips at some stage, and they have a period of outperforming them."

The American small-caps are enjoying such a period now, and Mr. Freeman believes it can go on for some time.

"If the economy continues to get better and earnings continue up, you could have pretty good performance for the next couple of years," he said. "The catch is that profit growth cannot let up. You have to have it right now. Stocks that have done well based on a certain valuation of earnings, if the earnings don't come in, the market could be disappointed."

Westerners Look at Risks and Rewards of Islamic Banking

By Aline Sullivan

THE run on Kuwaiti banks earlier this month spurred interest in Islamic banking among Western bankers eager to offer a new home for money dislodged by the threat of renewed conflict in the Middle East.

Islamic banking is based on interpretations of the Sharia, the traditional religious law. Interpretations vary, but bankers must avoid charging or benefiting from interest, which is viewed as usury, and investments in forbidden commodities such as alcohol and tobacco.

Despite these constraints, Islamic investments have performed well in recent years. The delicate art of reconciling Islamic theology with late 20th-century banking skill has prospered and more banks and investment companies are scrambling to show their clients that they offer attractive returns.

"Islamic products are being developed now that are simply good investments," said John Kelly, investment fund marketing director

at London-based investment group E.D. & F. Man Ltd. Three years ago, Mr. Kelly's company devised a fund for Dutch bank ABN-Amro's Bahrain office, called the AHL-BN fund, that allowed investors access to futures but in accordance with Islamic principles.

"We took one of our diversified futures funds and stripped out interest and unacceptable commodities," said Mr. Kelly. In place of a bank guarantee, which violates Islamic banking principles, ABN-Amro provided a forward purchase agreement. The AHL-BN fund has made an average annual gain of 9 percent since its launch, he said.

Richard Duncan, head of the Middle East banking and trade finance department at Kleinwort Benson Securities in London, said Kleinwort's Islamic equity investment has outperformed most stock market indices in recent years. The investment bank handled more than \$4 billion in Islamic funds in 1991 and Mr. Duncan expects figures for 1992 to show an increase, he said.

"The products are of interest to non-Muslims as well as Muslims because people respect the morality of the investments," said Mr. Duncan. "There is certainly a growing demand for Islamic investments. The demand is coming from everywhere; the Far East, the Middle East and around the world."

The limited number of investment opportunities in the Middle East ensure a fairly constant interest in overseas investments, said Duncan Smith, head of the United Bank of Kuwait's Islamic investment banking unit in London. "Islamic banks do invest in the Middle East but also everywhere else," he said.

A number of banks are also marketing their Islamic products to the Muslim populations in Britain, France and Germany. Among the Western banks selling Islamic investments in Europe are Citibank and Barclays in London, Credit Lyonnais and Banque Indosuez in Paris and Islamic Bank International in Denmark.

Geneva-based investment bank Dar al-Masal al-Islami (DAMI) plans to expand its operations in Europe and the Far East in response to growing demand, said Ashraf Uz Zaman, senior vice president in charge of strategy.

"We are trying to develop a secondary stock market for our products," said Mr. Zaman. "We are diversifying into medium and long-term investments." The bank is active in trade finance, particularly in Asia. Many of its recent deals have been done in conjunction with Western banks and most of these were oversubscribed, he said.

Demand for Islamic investments in London alone is up by at least 20 percent, according to Khalid Bahmia, managing director of Albaraka International Bank. The bank's London office has about £150 million (\$230 million) in deposits.

"The big drive now is to develop investments that can have a secondary market and are Islamically

acceptable," Mr. Bahmia said. Mortgage-backed securities are possible areas of growth if interest payments can be replaced by charges related to the pay-back period.

Apart from deposit accounts, which profit from their participation in a bank's commodities trading, trade finance and equities are the traditional Islamic investments. Both carry risks. Trade arrangements can be vulnerable to political changes, and although relatively few loans are made to companies in the Middle East, an increasing number are being made to burgeoning capitalists in the Muslim countries of the Far East and former Soviet Union.

Equity funds may appear a safer bet. But, as a number of Western banks have learned the hard way, there are surprisingly few shares available that are not tainted by gains from interest or commodities forbidden under the Sharia. Islamic equity funds can be volatile because they are based on a small number of shares. Several Western banks have experimented with funds in recent years but problems with their interpretations of the Sharia and disappointing returns meant that most publicly quoted Islamic equity funds are now confined to Bahrain and other Gulf states.

However, returns on many financial products have rivaled or bettered Western equivalents because of their conservative investment and wide geographical spread, bankers said. Another sell-

ing point for Islamic banks has been their strong financial backing. Bankers specializing in this market like to point out that no Islamic bank has failed.

Islamic banks publicly deny that the convoluted politics of the Middle East have any impact on their investment strategies or otherwise determine their behavior.

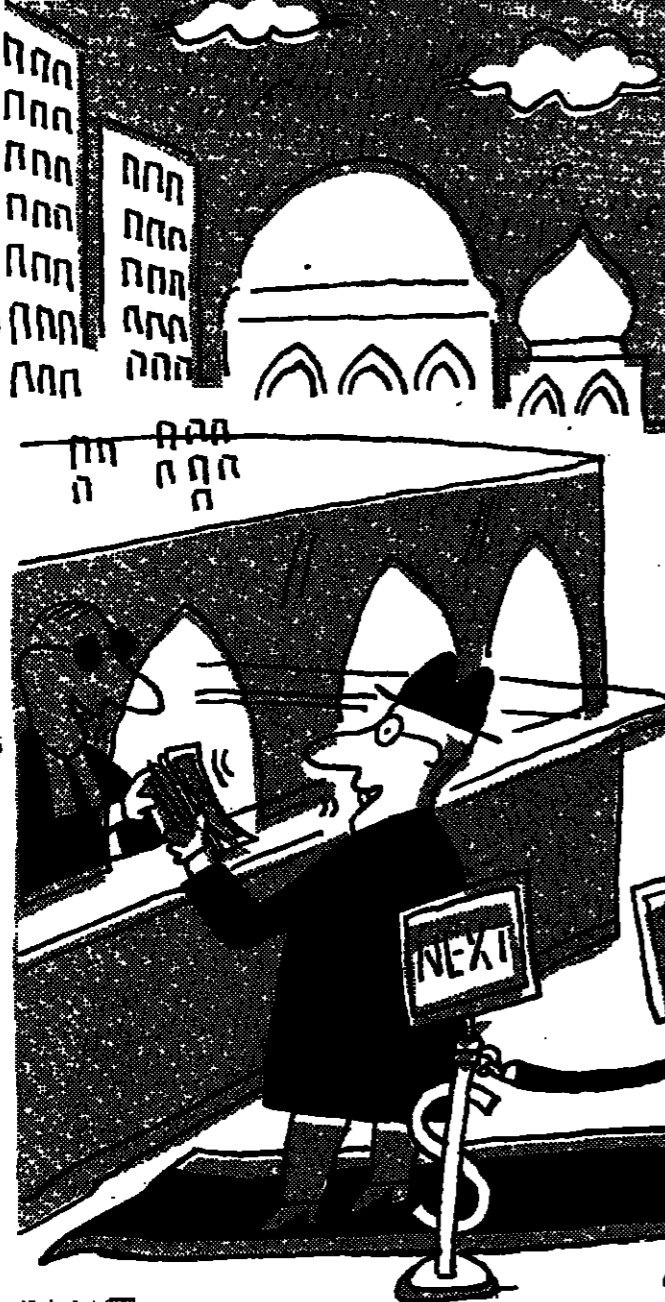
"We keep politics completely outside our transactions," said Mr. Zaman. "We are living in the modern world."

Some bankers, however, acknowledge privately that political considerations are likely to play a part in their investment decisions,

as well as theological and financial considerations. Few Islamic banks are likely to invest in companies on the Arab boycott list, for example.

But in the main, Islamic banks are looking for opportunities to branch out into new markets, rather than concentrate on tried and tested products.

"The openings will come in adapting technology-based fund management to Islamic principles," said Mr. Kelly. "For us, looking for partners and participants is the way forward. The Islamic investment side of our business could be enormous."



Merrill Lynch May Close Retail Network in Japan

By Kevin Kelleher

IF YOU'RE a foreigner in Japan and only a small-scale player in the stock market, where can you go to invest your money?

Until this week, the answer was Merrill Lynch Japan Inc., which prided itself on welcoming even the most penny-ante expatriate with a yen to play the market. But soon, the local subsidiary of Merrill Lynch & Co., the largest securities house in the United States, may close down the only foreign retail network in Japan, giving foreign residents little choice but to take their money to a Japanese brokerage.

A Merrill Lynch employee said that the company plans to eliminate its retail business for Japanese individual investors and is considering turning over its business for

foreign individual investors to a Japanese brokerage.

"Merrill Lynch was always the one house that spoke English and would handle retail business," said Fred Hochberger, an active investor in Japanese equities during the 1980s bull market. Mr. Hochberger is now a senior trader at Baring Securities.

A three-year stock market slump is focusing all but a handful of foreign brokerages to cut staff and is pushing Japanese brokerages into the red. Most analysts are calling for a stock market recovery to begin later this year.

When a recovery does come, expatriates in Japan wanting a piece of the action may find that Merrill Lynch will not be there to take their orders.

Individual foreign investors in Japan are a small but affluent group. The American Chamber of Commerce of Japan has 1,500 executives and high-level managers

as members. In addition, there are thousands of salesmen, English teachers and other workers.

When Japanese equities were raging to all-time highs in the late 1980s, Merrill set up retail chains in six cities to make trades for foreign residents and lay the foundations of a network to tap what was then a strong demand for stocks by Japanese individuals.

Earlier this past week, a Merrill Lynch spokesman said the company planned to close only three offices and cut about 36 of its 180 jobs on its retail force to focus efforts instead on capital markets, bonds and derivatives.

Where could foreign individuals turn? Wealthy individuals can knock at the door of other foreign brokerages. The most successful, such as Morgan Stanley Japan and Salomon Brothers Asia, have thrived be-

cause they shunned retail business in the bear market, focusing on sales to institutional investors.

As for smaller investors, one trader suggested they would be better off investing in a mutual fund, or the Japanese equivalent, investment trust funds operated by brokerage affiliates.

The larger Japanese brokerages, in an effort to project a more international image, are taking on English-speaking staff. They are only too happy to take money from investors, regardless of nationality.

Analysts said Japanese brokerages have a poor track record as far as individual investors are concerned. One of the main causes for the stock market slump has been a cynicism among small investors that Japanese houses rigged the market in favor of larger, privileged clients.

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# SPORTS SUPER BOWL

## A Pressure-Cooker Question for Bills: 'So What's New?'

By Michael Wilbon

**Washington Post Service**  
**LOS ANGELES** — The Buffalo Bills' Super Bowl history consists of losing to the New York Giants on a missed field goal and getting blown out by the less-talented Washington Redskins; of Thurman Thomas misplacing his helmet, Andre Reed throwing his, and players bickering over which one was most like Michael Jordan. The lights go on and on.

The question for the Bills, one the eve of Super Bowl XXVII — their third straight attempt to win a championship — is: What's different this time? Why should we believe that Sunday in Pasadena, California, will be any different from Sunday in Minneapolis or Sunday in Tampa, Florida? Aren't these the same players, running the same no-huddle offense, coached by the same Marv Levy, representing the same AFC that has lost eight straight Super Bowls? Is there some reason we should believe that the Dallas Cowboys won't win, 73-0?

Even though the action Sunday is the only action that will ultimately matter, the Bills' pregame actions, almost without exception, have suggested this is a different team.

By Thursday of Super Bowl week in Tampa, it was obvious that Bills-Giants was going to be a lot closer than need be — the Bills were young and loud and out all night. By Thursday of Super Bowl week in Minneapolis, it was obvious that Redskins-Bills would be not so much a game as a mercy killing — the Redskins were in extra film sessions while the Bills were standing atop tables beating their chests and screaming, "Look at me! Each Sunday was just a reflection of what the Bills did all week long, which was obviously not enough as it pertained to football.

"We're going to conduct ourselves in a different manner," Bruce Smith, the defensive end, promised on Day 1 of the 1993 Super Bowl week, "and from that standpoint we should be able to come out successful."

Cornelius Bennett, a linebacker, started his "Let's Try Something Different" campaign even as the AFC title victory over Miami was ending. "I went to the guys and told them to handle it with class," he said. "We've celebrated two AFC championships in a row, and it seemed that's where we left it. We celebrated heading into the Super Bowl rather than concentrating.

"Now we're focused every day. I think we

are paying attention to detail and not being caught up in the limelight. We understand we are here for business purposes and that's the way to win the Super Bowl."

Two crushing losses, and two years of having to put up with questions about choking will make you re-evaluate what you've done, even if the criticism is unfair, even if you lost one game by inches, even if you've got the

**'Now we're focused every day. We understand we are here for business purposes.'**  
**Cornelius Bennett**

best record in the league over the last five seasons. Levy, the thoughtful coach, is too smart to stand pat. "This isn't a normal week no matter how you cut it," he said. "We tried to do it that way two years ago, prior to Super Bowl XXV."

It is impossible to find a Buffalo player who does not feel that the 32-point comeback victory over Houston in the first round of the

playoffs proved something about the team's tenacity and resiliency. It has affected every practice and the two playoff victories since.

Talent has not been Buffalo's problem in the last two Super Bowls. The Bills were light years ahead of an aging Giants team in XXV and patently better at most positions than the Redskins in XXVI.

No, the problem was not talent. Producing under pressure was the problem. Maintaining poise was the problem. Finding one's helmet at the start of the game was the problem. So if the victory over Houston helps the Bills with things between it's ears as much as things between the lines, why not use it?

"Normally," Levy said, "I would tell the team to put a game behind them as soon as it's over. But not with Houston. The Houston game has had a carryover effect, and I haven't tried to dampen that. This team now thinks it can do anything, and that's good. They think they can win if they don't give up."

So there has been a certain quiet confidence about the Bills this week, a sense that they don't have to be loud and obnoxious. "I told them they could profit by what happened in the past," Levy said.

## Talley's Tussle Distracts Bills

By Timothy W. Smith

**LOS ANGELES** — Trying to defuse a potentially distracting situation, Darryl Talley, his coach and some of his teammates have been denying reports that the Buffalo Bills linebacker was involved in a scuffle at a nightclub here five days ago with the bodyguard of former Lakers star Magic Johnson. "Nothing happened, no incident, no fight, no nothing," Talley said Thursday, at one point yelling to a crowd of reporters, "Attention everybody! Nothing happened."

But something did happen, according to two of his teammates and Johnson's agent, Lon Rosen, and the question remained whether it would disrupt the Bills' preparation for Super Bowl XXVII.

The two Bills players and Rosen agreed that Talley was involved in a confrontation with the bodyguard, whom Rosen identified only as Anthony, at a nightclub called Roxbury on Sunset Boulevard on Sunday night.

The two Bills players, who asked not to be identified, said there was some pushing and shoving between Talley and the bodyguard and the two had to be separated after an argument. One player said Johnson phoned Bills defensive end Bruce Smith, who was also at the club and whom Johnson apparently knows, to apologize for the incident.

Rosen said Talley was flipped to the floor after a confrontation and scuffle with the bodyguard. Rosen said the incident had nothing to do with anything Talley said to Johnson, who wasn't present, but resulted from a disagreement with the bodyguard.



Emmitt Smith, left, rested on his helmet during a Cowboy practice while Thurman Thomas, right, gave away miniatures.

## Dallas Has Spread, Buffalo the Pressure

New York Times Service

**BILLS (14-5) vs. COWBOYS (15-3)**

Key stat: Cowboys have played in league record 40 postseason games with record 23 wins but most current players have played in only four postseason games; team has won seven of last eight versus AFC teams and is 26-1 when Emmitt Smith makes 20 or more carries. Bills are only second team to make three straight Super Bowl appearances; are 4-0 versus NFC

### SUPER MATCHUP

This season including wins at San Francisco and at New Orleans; team under Coach Marv Levy is 61-7 when it outshines opponents, 12-31 when it does not.

Key matchups: James Lofton vs. Kevin Smith — Lofton has the savvy at receiver of 15 years in the league, 791 catches and 234 games. Smith, a rookie cornerback, has the speed and ability to cover mistakes.

Mark Tuiasotui vs. Bruce Smith — Tuiasotui at left tackle figures to get help in blocking right end Smith. It could prove a necessity.

Thurman Thomas vs. Vinson Smith and Ken Norton — Everyone knows about Thomas' daring and darting running, but he is as dangerous as a receiver. Smith and Norton must track him downfield.

Comment: Dallas enters with less pressure because of its youth and the expectation that in the '90s it will have more chances at more Super Bowls. Buffalo enters with the pressure of possibly becoming the first team to lose three consecutive Super Bowls.

The Dallas defense allowed only a 27.2 percent success rate on third downs during the regular season, and 26.3 percent in its two playoff wins. Substitutions help keep the Dallas defense fresh, but the Cowboys are uncertain how frequently they can substitute versus Buffalo's no-huddle scheme. On paper, Dallas has the edge. On the field, look for Buffalo, with its best defense ever in a Super Bowl, to provide just enough punch. The Cowboys, though, are favored by 6½ points.

This Super Bowl matchup was written by Thomas George of The New York Times. The point spread was provided by Harrah's of Las Vegas.

## Emmitt Smith: Superego Takes on Super Bowl

By Thomas Boswell

**LOS ANGELES** — Emmitt Smith better watch out. Under the mind-numbing interview torture of Super Bowl week, he's turning into the Thurman Thomas of last year.

Thursday, Smith popped off about how great he thinks he is. Asked who was the best runner in the NFL, he said, "I like to think that I am the best." Asked who was close, Smith really dug the hole deeper, saying, "I think I am."

What? Emmitt won't even give Thurman Thomas or Barry Sanders or Barry Foster a close second-place finish?

Smith is a good player and a fabulous runner, but his remarks are going to stink to high heaven if he or the Cowboys lay an egg against the Bills on Sunday.

Just an hour after Smith's news conference, Thomas held one of his own — to underline his contrition for his blowhard remarks last year. He handed out tiny Bills helmets — his way of apologizing for winning and bragging before Super Bowl XXVI, then misplacing his helmet on the first two plays and finishing with 13 yards rushing.

"We all learned a lesson," said Thomas of the mink-decked, diamond-shod, shade-wearing Bills, who swaggered into Minne-

apolis, blowing their own horns, only to get their clocks cleaned. "You can't say things, then go out and have one of the worst games of your career."

By Thursday, Smith had been forced by the publicity-worshipping NFL to talk about himself for more than four hours this week. It's eerie to watch the process. Like a radioactive isotope eating through a lead canister, the vanity glows through the thin walls of a pampered jockey's barely socialized superego. Or, you could say that we cynical sportswriters sit around like vultures, thinking, "If we can just keep this guy talking long enough, there's no telling what he'll say."

If you listened to Smith's whole news conference, you could interpret his comments to mean something like, "If I don't think of myself as the best, then how will I ever be the best?" If so, then he better learn to say it that way. Or else pass on the subject.

When Thomas was told that Smith had proclaimed himself the best, the Bills halfback — who just became the only man in NFL history to lead the league in total yards for four straight seasons — gave a little smile and said, "I think he's right."

So, where would Thomas put himself? After a lush moment of silence, Thomas said, "About sixth or seventh."

## Seats for the Beautiful People, at a Mere \$1,500 Each

Reuters

**LOS ANGELES** — There is still time to get a prime seat on the 50-yard line at the Rose Bowl in Pasadena for Sunday's Super Bowl — providing you have \$1,500 to spare.

That is what ticket agencies are charging for the most prized seats, which have a face value of \$175.

Robert Shelter, an agent with Applause Ticket Service in Los Angeles, said although prices were higher than last year, there was more demand.

"I mean, who wants to go to Minneapolis to party in January," he said of last year's venue.

He said stars and entertainment moguls were among those clamoring to pay \$1,500 a ticket.

### DENNIS THE MENACE



\*HE LOOKS INNOCENT, WHICH PROVES THAT LOOKS AREN'T EVERYTHING.\*

### JUMBLE

Unscramble these four jumble words to form the names of four different sports.

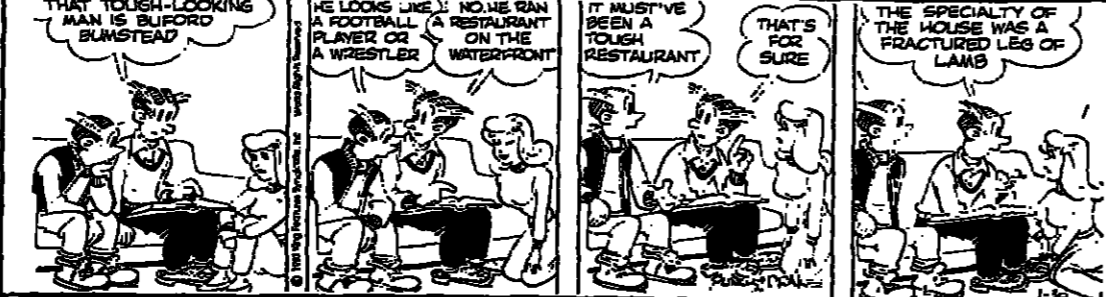
RUGAU  
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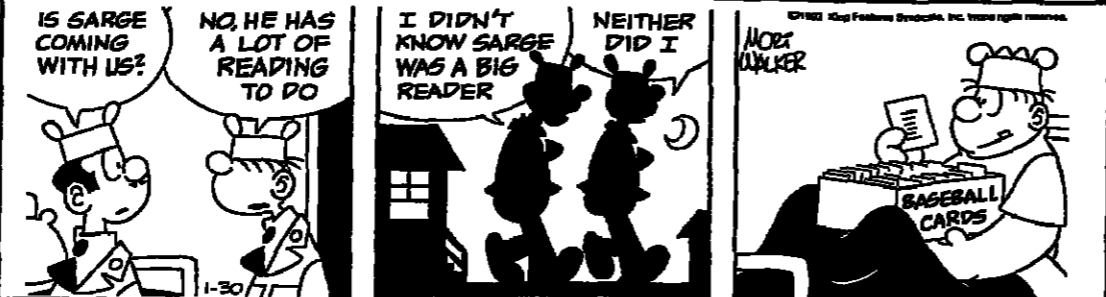
### PEANUTS



### BLONDIE



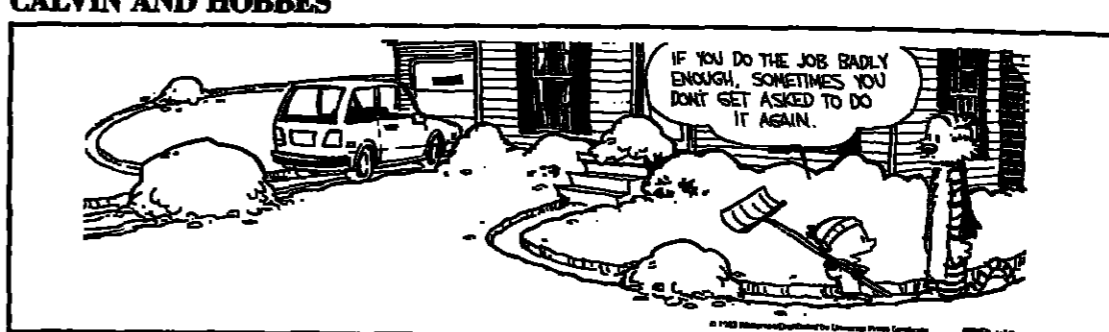
### BEEBLE BAILEY



### DOONESBURY



### CALVIN AND HOBBS



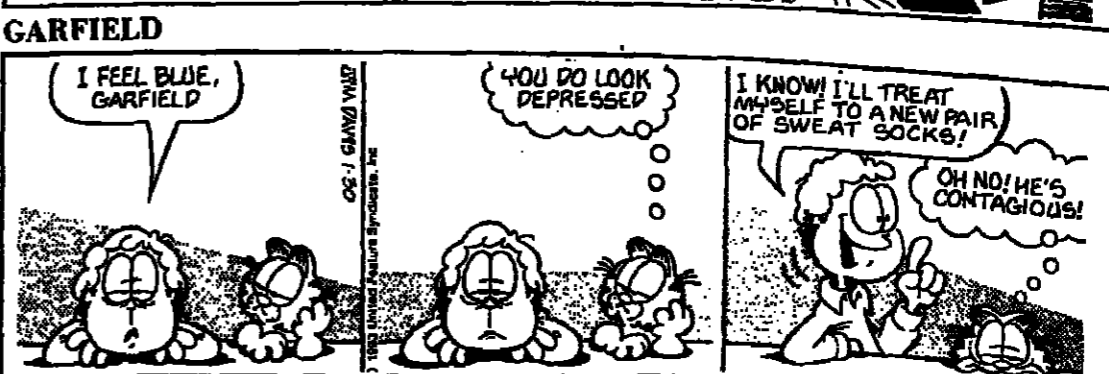
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SPORTS AUSTRALIAN OPEN

Graf Aims to Snap Seles' Hot Streak

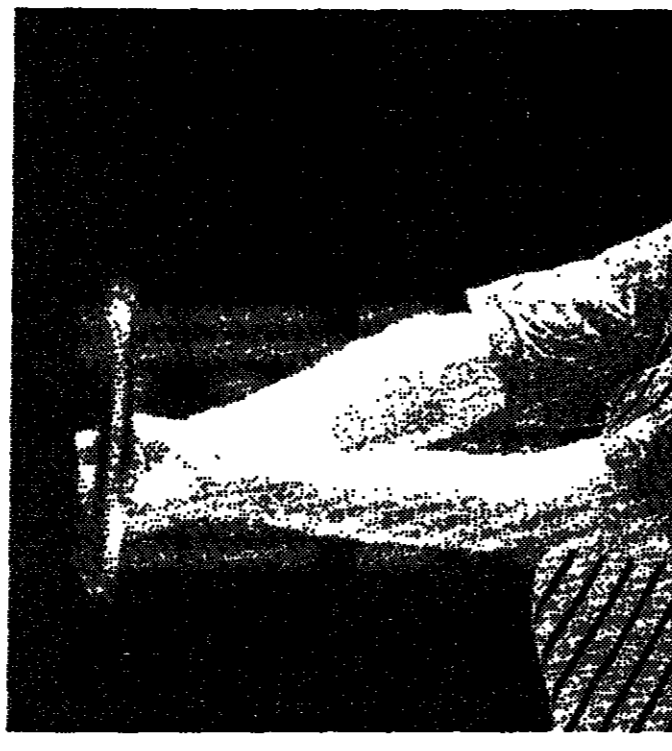
MELBOURNE — Monica Seles has ruled the Stadium Court at Flinders Park for the last three years.

Tracy Austin Set To Make Bid for Tennis Comeback

LOS ANGELES — Tracy Austin, the youngest winner of the U.S. Open at 16 in 1979 and a one-time world No. 1, is returning to tournament tennis on a limited basis.



Stefan Edberg, above, got pumped up over his straight-set win while Jim Courier, below, used baseline power to reach the finals.



Chris Clarke

Cream Stays Smoothly Atop Open Big Guns Courier and Edberg Are Straight-Set Finalists

By Christopher Clary International Herald Tribune

MELBOURNE — Forget about bad backs and bad attitudes. Forget about upsets and grunts and all the other elements that can muddy the waters at Grand Slam tennis tournaments.

The conclusion of the Australian Open has been as calm and uncomplicated as a sun-baked day in the Outback.

The bottom line on Courier is that he has yet to lose a set in six matches. "I played better today than I did in the semis last year," he said with a grin.

Their visual and vocal support had little effect on Sampras at the outset, when he jumped to a 4-0 lead. But in the long fifth game, he began to self-destruct — making three unforced errors and double-faulting twice to lose his serve.

The two remaining questions are whether Courier will successfully defend his title, and if so, whether he will take another victory dip in the picturesque but ecologically unsound Yarra River.

"We're thinking of driving from a bridge this year," Courier's coach Brad Stine said in jest. "We'll cross that bridge when we get to it."

SCOREBOARD

Table with columns for BASKETBALL NBA Standings, THURSDAY'S RESULTS, and HOCKEY NHL Standings.

Table with columns for MAJOR COLLEGE SCORES, WALES CONFERENCE, and CAMPUS CONFERENCE.

Table with columns for TENNIS Australian Open, CRICKET, and TRANSACTIONS.

Houston Keeps Up Hex On Chicago With Win

The Associated Press HOUSTON — The Chicago Bulls, who have been to the summit of the NBA the last two seasons, are not so impressive when they visit the Summit in Houston.

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DAVE BARRY

The Caesars Angels Sing

MIAMI — Just before Christmas, Beth and I, being deeply traditional people, went to Las Vegas. We stayed at Caesars Palace, a giant hotel-casino authentically decorated to look exactly like the Roman Empire would have looked if it had consisted mainly of slot machines. Caesars also features roughly four zillion flashing lights, huge toga-clad statues that move, cocktail waitresses wearing costumes designed by Frederick's of Rome, and a bar on a large indoor boat that is actually floating. ("Norm, I think maybe you've had enough, you might... SPLASH. "MAN OVERBOARD!")

In other words, by Vegas standards, Caesars is very understated. It's a traditional Amish farm settlement compared with the casino next door, the Mirage, which has really — dolphins, albino tigers, an indoor rain forest and an outdoor volcano that erupts on schedule. (You're going to see more and more hotels installing volcanoes in response to demand from the business traveler.) Also, right behind the front desk is a giant aquarium containing sharks. So you definitely should not mess with the Mirage. ("Were you planning to pay for those hotel towels in your suitcase, Mr. Furbit? Or would you prefer to TAKE A LITTLE SWIM?") But you can't beat Caesars Palace for that old-fashioned Christmas spirit. Each day we went downstairs to the casino at around 8 A.M. for breakfast, and we found gamblers still up from the night before, with drinks in their hands and cigarettes in their mouths, staring at cards and yelling at dice. Meanwhile, over the public-address system, drifting through the smoky air, came the voices of a choir singing: "Hark the herald angels sing..."

But the gamblers were not harking to the music at all. If the roof had opened up and the actual herald angels had come swooping into Caesars, the gamblers would have kept right on gambling. And pretty soon the angels would have stopped singing and started putting quarters into the slot machines. The casinos are basically dense slot-machine forests. You wander in there, feed in some quarters, get some free drinks from the thoughtful cocktail waitresses, feed in more quarters, glance at your watch and... WHOA! It's 1997! People get lost in there. If you searched all the slot-machine areas, you'd probably find Amelia Earhart. You would not, however, find Beth. For some reason she was not attracted to the slots, even though I demonstrated to her how entertaining they are: ME: O.K., you put a quarter in, and you pull the handle, and... MACHINE: Whirrclunk-clunkclunk. (Silence.) ME: Ha ha! Now you put in another quarter! BETH: Why? Beth thinks the casinos should offer more of what she described as "fun" games, the type of entertainment-for-the-whole-family activities that people engage in to happily while away the hours. If Beth ran a casino, there would be a brightly lit table surrounded by high rollers in tuxedos and evening gowns, and the air would be charged with excitement as a player rolled the dice, and the crowd would lean forward, and the shout would ring out... "He landed on PARK PLACE!"

But they don't play a lot of Monopoly in the casinos. They do play a card game called "blackjack." I took a blackjack lesson from a friend of ours named Bob, an Las Vegas resident who is an expert gambler, although he makes his living — this is true — managing his pension plans. Bob sat me down and explained his simple Winning Blackjack System, which can be easily learned in just a few minutes by anybody who is Stephen Hawking. After I was confident that I had no idea what Bob was talking about, I sat down at a blackjack table and immediately won about 10 hands in a row by making a series of totally random decisions. Meanwhile, Bob, sitting next to me with his Winning System, was losing. (I THINK it was his own money, but just in case, check your pension plan.) I won \$26, which I deposited in a slot machine for safekeeping. In the background I could hear angels singing "Gloria in excelsis." They must have been winning. Knight-Ridder Newspapers

Marlene Dearest: No Sequin Unturned

By Caryn James New York Times Service

NEW YORK — That husky laugh you hear coming from the great beyond is Marlene Dietrich's. She's not around to control her image anymore, but at least she has managed to confuse it. "There have been 55 books written about me!" she snapped at Maximilian Schell in his 1994 documentary "Marlene," in which the aged star granted hours of interviews but refused to be shown on camera. She hated anyone else mucking around with her legend.

It seems as if 55 more books have appeared since she died in May, a 90-year-old reclusive who had not left her Paris apartment in years. The actual number is closer to five. The newest is a glib, gossipy, 789-page memoir written by Dietrich's only child, Maria Riva, who leaves no sequin unturned in exposing her mother's lurid personal life. Now 68, Riva adopts a tone more sorrowful than angry, but the bitter animus behind her book cannot be disguised. In "Marlene Dietrich: Life and Legend" is far more authoritative about her career. Bach is especially generous with details about her freewheeling days in Berlin before Josef von Sternberg cast her in "The Blue Angel" and established the enduring image of an irresistible, hard-nosed femme fatale. Bach's Dietrich is self-absorbed but kind, a woman who never meant to hurt the dozens of men and women she manipulated.

About her personal life, both biographers agree on this much: she slept with von Sternberg, and with Maurice Chevalier, John Gilbert, Douglas Fairbanks Jr., Edith Piaf, the screenwriter Mercedes de Acosta (who was in the rebound from Greta Garbo), Erich Maria Remarque, Jean Gabin, Kirk Douglas, Yul Brynner and Frank Sinatra, just to name the more famous. She married Rudolf Sieber and became a mother before "The Blue Angel" and never divorced, the better to protect herself from suitors. The authors disagree about much more, including whether she pretended that her Nazi-supporting sister was a concentration-camp prisoner. Riva writes that her mother would say tragically during the war that her sister, Elisabeth, was "in Belsen," knowing very well that listeners would assume she was a prisoner in the Bergen-Belsen concentration camp in Germany, although Dietrich knew she was living comfortably at home. This was another "twisted script" her mother invented for her "personal convenience."

Bach's version, documented by interviews with the British officer who dealt with Dietrich at the camp, is that she pulled strings to get to Bergen-Belsen soon after it was liberated. Only then did she learn from the British that her sister and brother-in-law had been working for a group supporting the Nazis. That, Bach says, is why Dietrich publicly denied her sister's existence from then on. The Riva book resembles a Hollywood biography, flashy and detailed but containing big black holes. Like von Sternberg at his most florid, Riva is not always easy to believe, but she is always greatly entertaining.

Riva plays up her insider's perspective masterfully. Her parents, Marlene and Rudi, affectionately called each other Mutti and Papi from the time of her birth and remained confidants throughout their lives. Maria's mother usually called her "the child" and for publicity purposes shaved years off her age, starting when she was 6 and joined her mother in Hollywood. Dietrich apparently juggled her lovers with the accomplishment of a French farceur: At dawn they would sneak out of whatever rented Hollywood mansion she lived in at the time, go back to ring the front doorbell and sit down to breakfast with Dietrich, all so the child wouldn't know. The child knew plenty. Instead of going to school, she accompanied her mother to the studio. Much of the book is devoted to details of costume design and lighting, but then so were Dietrich's movies. After a while, Riva's child's-eye view becomes frustrating. When Dietrich visits Colette and Gertrude Stein, the intimidated young Maria remembers nothing about their conversations.



Maria Riva at a Dietrich memorial service in Paris last year; right, the star in a sultry Hollywood pose.

Riva has great advantages over any other biographer, especially because she can quote from the diary Dietrich kept from youth to old age and from a great cache of letters by and to her. It was one of Dietrich's habits to pass her love letters on to her husband, who kept them in a box. The diary is revealing because it is a work of such startling banality. When Dietrich falls hard for Yul Brynner — she was nearing 50, he was around 30 — the diary is full of adolescent exclamations such as, "He did not call" and "Feel have lost 'him' forever. No use living." No wonder that in her notoriously unreliable autobiography, "Marlene," Dietrich denied keeping a diary at all.

Riva writes that toward the end of Dietrich's life, she used that diary to create the self-pitying image of a neglected old woman. By then she was addicted to pills and alcohol, and after falling and fracturing her hip in 1979, she "put herself to bed for the rest of her life." Riva says: "Now, when she passed out she would already be lying down in a soft, safe place. Never once did the option of giving up drinking instead enter her mind." Riva presents a wrenching image of Dietrich's pathetic old age. When her physical beauty finally escaped her control, Dietrich would spend hours on the phone but see no one. She cooked on a hotplate next to her bed and used a Limoges pitcher as a chamber pot. If it was hard to be Dietrich's daughter, imagine, as Bach does, how tough it was to be the legend herself. "She made being Marlene Dietrich look so easy that no one ever thought to question the effort it took," he says. A onetime student of von Sternberg, Bach vividly recreates the willful manner in which Dietrich became an icon and stayed one. Before von Sternberg saw her on stage, she did a notorious lesbian song-and-dance in a stage revue; she played many small roles in silent films, including one in which she astutely said she "looked like a potato"; she was carefree about her sex life and ambitious about her career. All of this she liked to forget. Put these books together and they'll make your head spin, which might not be far from what Dietrich wanted. She scorned facts and never settled for the truth when a pretty lie would do. Bach is right to hint that because she was unwilling to change her image, she was finally victimized by it. Dietrich so completely became her legend that there seems to have been little left behind it. Or so she would have us believe.



Maria Riva at a Dietrich memorial service in Paris last year; right, the star in a sultry Hollywood pose.

PEOPLE

American TV Censors McCartney Protest Song

MTV couldn't clean up Paul McCartney's new environmental protest song by bleeping out the dirty words, so the American musical channel just dumped it. McCartney uses the F-word seven times in "Big Boys Bickering," written after George Bush refused to sign an ecological treaty in Brazil last year. The singer said that the M-word ("mucking" up the world) wasn't strong enough for him. (The BBC has banned it, too.)

Is Madonna, at 34, over the hill? Andrew Lloyd Webber thinks so. She's just too old to play Eva Peron in his proposed film version of "Evita," he said: Peron died at the age of 33. He also said Madonna's ultrasympathy image would not go with the project.

Did Oona Chaplin sign a \$500,000 bank loan guarantee for her New York psychiatrist, Dr. Christ L. Zeis, in 1989, two years before her death? Doctors for the late widow of Charlie Chaplin say that on that date she was in a hospital in Geneva recovering from a brain hemorrhage, and a federal judge in New York has ordered her estate to produce the medical records in court after the doctor refused to repay the loan.

Christie's got Annie's gum. The customized Winchester that Annie Oakley used in Buffalo Bill's Wild West Show will be auctioned at Christie's of London on March 24. The rifle is expected to bring up to \$25,000 (\$38,500).

Planning the surprise party for Skitch Henderson's 75th birthday took six months of plotting, tidying of guest lists and fielding of teletype calls. Only when he was on tour with the New York Pops was there time to relax, said Ruth Henderson, his wife, who planned the party. "And I was totally surprised," the maestro said. What about turning 75? "Some of the sheer terror of working for a living leaves me," he said. "I worry less about tomorrow."

INTERNATIONAL CLASSIFIED Appears on Pages 5 & 17.

WEATHER

Weather forecast section including maps for Europe, Asia, and North America, with temperature and precipitation data for various regions.

SWITCHES By Wilson McBeath

Crossword puzzle section with clues and a grid. Clues include '1 Der... (Adenauer)', '5 Obsolete', '10 Flora and fauna', etc.

BOOKS

INSHALLAH By Oriana Fallaci. 608 pages. \$25. Doubleday. Reviewed by Christopher Dickey. Perhaps you remember Lebanon. There was a time, just a decade back, when the attention of the world was focused on Beirut. American troops had gone into Lebanon on a humanitarian mission then, too, trying to write a quick end to a long war. But after the massacres at Sabra and Chatila — after the photographs of all those stinking, swollen bodies of women and babies — their mission became less clear. They wound up dying themselves, and leaving, in the face of a political defeat so severe there was no disguising it as honorable. Fallaci's novel is about that time in Lebanon: the three months after that grim morning when 241 U.S. servicemen and 88 French paratroopers were blown away. But it is not about the Americans, nor the French, nor indeed the Lebanese. It is about the Italian contingent of the Multinational Force. They were the one group that was never blown up, and because of that they have not been much remembered in the historical accounts that linger in the history books. But they were there, closer to the action, to the people, to life and death every day, than any of the other soldiers who were sent. Fallaci reaches for the grand themes of war: love and friendship, death and despair and, yes, the meaning of life. But too many of her characters (103, according to those who've counted) are all design and no life, caricatures of whores and grunts, nuns and mullahs. Fallaci, so flamboyantly self-involved that she introduces herself as a peripheral figure even in this fictional narrative, has always had trouble hearing any voice but her own. Which probably explains, as well, why the "translation by Oriana Fallaci from a translation by James Marcus" is so awkward. She has made the English prose read the way she speaks. The currying of the Italian soldiers, rendered literally, is simply bizarre. And yet the pages, all 608 of them, keep turning to the end. There are moments when, despite all the flaws of presentation, all the predictability of the multiple plots and the philosophical blather (Fallaci speaks words at the target like shrapnel from a claymore mine — and still misses!), there are enough moments of sadness, excitement, suspense and anger to keep us reading. Christopher Dickey, Paris bureau chief of Newsweek and the author of "Expats: Travels in Arabia," wrote this for the Los Angeles Times.

Additional crossword puzzle clues and solutions, including '46 Alphabetic run', '47 Gauchers' cow', '48 Chinese dynasty', etc.

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